



72nd Annual Report 2009-10

Infinite resolve

Three generations of business partnership

Founders



Late Shri Jamnalal Bajaj



Late Shri Jeewanlal Motichand Shah

Former Chairmen and Vice Chairman



Late Shri Kamalnayan Bajaj
Chairman



Late Shri Ramkrishna Bajaj
Vice Chairman



Shri Viren J Shah
Chairman &
Managing Director



Shri Rahul Bajaj
Chairman

Current Management



Shri Niraj Bajaj
Chairman &
Managing Director



Shri Rajesh V Shah
Co-Chairman &
Managing Director



Shri Suketu V Shah
Joint Managing Director

BOARD OF DIRECTORS AND THE MANAGEMENT TEAM

Board of Directors

Niraj Bajaj	Chairman & Managing Director
Rajesh V Shah	Co-Chairman & Managing Director
Rahul Bajaj	
Dhirajlal S Mehta	
Suketu V Shah	Joint Managing Director
Vinod S Shah	
Dr. N P Jain, IFS (Retd.)	
Narendra J Shah	
N C Sharma	
T Chattopadhyay	
Prakash V Mehta	
Pradip P Shah	

Secretary

K J Mallya

Auditors

Dalal & Shah, Chartered Accountants

The Management Team

Corporate

Niraj Bajaj	Chairman & Managing Director
Rajesh V Shah	Co-Chairman & Managing Director
Suketu V Shah	Joint Managing Director
S B Jhaveri	Chief Financial Officer

Steel Division

I M D'Costa	Technical Director (Steel Plant, Thane)
R Sampath Kumar	Chief Executive (Steel Plant, Ginigera)
A M Kulkarni	Chief Executive (Steel Plant, Thane)
C H Sharma	Technical Advisor, Steel
Sidharth Shah	Chief of Materials Management
V M Mashruwala	Chief of Marketing (Alloy & Stainless Steel)
Dr. Amit Ganguly	Chief of Business Excellence

Industrial Machinery Division

R Jagannathan	Chief Executive
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Road Construction Division

R Sankaran	Chief Co-ordinator
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Annual General Meeting

Wednesday, July 28th, 2010 at 4.00 p.m. at Kamalnayan Bajaj Hall,
Bajaj Bhawan, Jamnalal Bajaj Marg,
226, Nariman Point, Mumbai 400 021

Registered Office

Bajaj Bhawan, Jamnalal Bajaj Marg,
226, Nariman Point, Mumbai 400 021.

Works

Thane, Maharashtra 400 605.
Ginigera, Karnataka 583 228.

Branch Offices

Bangalore, Chennai, Delhi, Kolkata, Visakhapatnam

E-mail : investors_cell@mukand.com

Website: www.mukand.com

A Request

As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copy to the meeting.

NOTICE

To
The Members,

NOTICE is hereby given that the 72nd ANNUAL GENERAL MEETING of the Members of MUKAND LTD. will be held on Wednesday, the 28th July, 2010 at 4.00 p.m. at Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021 to transact the following business:

1. To consider and adopt the Profit & Loss Account for the year ended March 31, 2010, the Balance Sheet as at that date and the Report of the Board of Directors and the Auditors thereon.
2. To declare dividend on 0.01% Cumulative Redeemable Preference Shares.
3. To declare dividend on Equity Shares.
4. To appoint a Director in place of Shri T. Chattopadhyay, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri Dhirajlal S. Mehta, who retires by rotation and is eligible for re-appointment.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-
"RESOLVED that Shri Rahul Bajaj who retires at this meeting, but has indicated his desire not to seek re-election, be not re-appointed and that the resulting vacancy be not filled-up."
7. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-
"RESOLVED that M/s. Haribhakti & Co., Chartered Accountants (Registration No. 103523W), be and are hereby appointed as Statutory Auditors of the Company in place of M/s. Dalal & Shah, Chartered Accountants (Registration No. 102021W), the retiring Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors of the Company ."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing a proxy, to be effective, should however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 10th July, 2010 to Friday, 23rd July, 2010 (both days inclusive).
3. a) The payment of dividend on 0.01% Cumulative Redeemable Preference Shares and Equity Shares upon declaration by the Members at the forthcoming Annual General Meeting, will be made on or after 3rd August, 2010 as under :
 - i. To all those beneficial owners holding shares in electronic form as per the beneficial ownership data made available to the Company by National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd.(CDSL) as at the end of the day on Friday, 9th July, 2010 ; and
 - ii. To all those shareholders holding shares in physical form, after giving effect to all the valid share transfers lodged with the Company on or before Friday, 9th July, 2010.
- b) It is suggested for convenience of Members that they should notify change in their addresses and / or Bank Mandate details, if any, preferably on or before Friday, 9th July, 2010, in respect of :-

- i. shares held in physical form - to the Company or to its Share Transfer Agents (STAs); and
- ii. shares held in dematerialised form - to their respective Depository Participants (DPs) to enable printing of these particulars on dividend warrants, to minimise chances of loss due to fraudulent encashment of warrants.

4. In accordance with the RBI notification, with effect from 1st October, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Service (NECS) which essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions.

Members are, therefore, requested to ensure that the new Bank Account Number allotted to them by their Bank after implementation of CBS is furnished to their respective DP, in case they hold the shares in dematerialised form, or to the Share Transfer Agents, if they hold the shares in physical form. In case the new account number is not available with the DP / STAs, the ECS to their old account may either be rejected or returned.

Where dividend payments are made through NECS, intimations regarding such remittances would be sent separately to the Members. In cases where the dividends cannot be paid through ECS, the same will be paid by dividend warrants or account payee / not negotiable instruments.

5. Members desiring any information relating to the annual accounts of the Company are requested to send their queries to the Company Secretary at least 7 days before the date of the Meeting.
6. Members are requested to bring their attendance slip along with their copy of annual report to the Meeting.
7. The Securities and Exchange Board of India (SEBI) has made it mandatory for every participant in the securities / capital market to furnish Income Tax Permanent Account Number (PAN) for transactions involving transfer of shares. Therefore, members holding shares in physical form are requested to furnish their PAN along with photocopy of PAN Card to the STAs. Members holding shares in demat form are requested to register the details of their PAN with their DPs.
8. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company.
9. As regards the re-appointment of retiring directors, viz. Shri T. Chattopadhyay and Shri Dhirajlal S. Mehta referred to in item Nos. 4 and 5 of the notice respectively, their brief resumes, including shareholding details, have been given in the Report on Corporate Governance which forms part of the Directors' Report and members are requested to refer to the same.

By Order of the Board of Directors
For MUKAND LTD.

Mumbai
Dated : May 26, 2010

K J MALLIYA
Company Secretary

Registered Office:
Bajaj Bhawan, 3rd floor,
Jamnalal Bajaj Marg,
226, Nariman Point, Mumbai 400 021.

DIRECTORS' REPORT

1.0 The directors present the 72nd annual report and audited statements of accounts of the Company for the year ended March 31, 2010.

2.0 Financial results:

(Rs. in Million)

	Current Year	Previous Year
Turnover : Net Sales, Services and Other Income	19,941.64	19,483.93
Results :		
Profit before Net Forex losses / gains, interest, depreciation, exceptional items and tax	2,776.90	101.98
Add / (Less) : Net Forex (Losses) / Gain	6.52	(215.73)
Less : Finance and Lease charges	1,522.53	1,352.35
Profit / (Loss) before depreciation, exceptional items and tax	1,260.89	(1,466.10)
Less : Depreciation	632.27	578.42
Profit / (Loss) for the year before exceptional items and tax	628.62	(2,044.52)
Add / (Less) : Exceptional items (net)	(8.60)	(414.82)
Profit / (Loss) before tax (PBT)	620.02	(2,459.34)
Less / (Add) : Tax Expense / (Tax Saving)	0.63	(585.97)
Profit / (Loss) After Tax (PAT)	619.39	(1,873.37)
Add / (Less) : Prior period adjustments (net)	(0.64)	(14.67)
Add / (Less) : Excess / (Short) provision for tax	1.18	0.96
Profit / (Loss) after tax and prior period adjustments	619.93	(1,887.08)
Balance brought forward from previous year	--	1,230.38
Balance available for appropriations/ adjustments	619.93	(656.70)
Appropriations :		
Transfer from / to Debenture Redemption Reserve (Net)	66.25	62.50
Proposed Dividends and Tax thereon	(85.55)	(0.01)
Transfer from / (to) General Reserve	(300.00)	594.21
Balance carried to the Balance Sheet	300.63	--

3.0 Dividend:

The directors recommend a dividend of 10% on equity shares and 0.01% on cumulative redeemable preference shares. The dividend and tax thereon aggregate Rs.85.55 million for the year.

4.0 Performance:

4.01 The Company maintained the net sales and other income for the year at Rs.19,942 million as against Rs.19,484 million in the previous year.

4.02 The profit before net forex gains / losses, interest, depreciation, exceptional items and taxes was higher at Rs. 2,776.90 million as compared to Rs. 101.98 million in the previous year.

4.03 Exports during the year were lower at Rs. 771 million as against Rs. 1,630 million in the previous year as a direct impact of the continued global recessionary trends.

The salient features of the operating performance of each segment during the year under review are discussed in the following paragraphs.

4.10 Specialty Steel Division:

4.11 The net sales of alloy, special and stainless steel long products stood at Rs.16,331 million compared to Rs.16,502 million in the previous year. However, the sale of specialty steel products in terms of volume was higher by 26% at 295,946 metric tons as compared to 235,225 metric tons in the previous year. This disproportion between value and volume was mainly due to the reduction in the rate of excise duty and reduced selling prices of the specialty steel products consequent to the fall in input prices during the first half of the year.

4.12 Most of the commodity prices began to rise from the second half of the year. The Coke prices that were falling in the first half of the year began to steadily move upwards from USD 265 per metric ton in the month of July 2009 to USD 395 in the month of February 2010. However, in the month of March 2010, the prices rose sharply from USD 395 to USD 460 per metric ton. These prices are likely to firm-up further during the year in progress. The prices of other major inputs, like, nickel, furnace oil, ferro-alloys, melting scrap, etc. which were falling at the beginning of the year also moved up in the fourth quarter. The Company also had to procure iron ore from the market at an additional cost due to the paucity in the supplies of iron ore from our contracted source.

4.13 In the second half of the year, the Company completed the capital expenditure programme thereby bringing its specialty steel making and rolling capacity, to half a million ton per annum. The investment made by the Company vis-à-vis the increase in capacity is fairly low. Not only that, the Company also managed the expansion activities in a running facility without interrupting its production line.

4.14 In the Ginigera, Karnataka facility, the Company expects to commission the 15 mega watt captive power plant based on waste gases emitted from a mini blast furnace by the month of July 2010.

4.15 The first quarter of the year in progress saw an increased momentum in automobile sales resulting in an increased demand for our specialty steel products. The Company continues to focus on developing highly specialized grades of alloy and stainless steel products that command a premium in the market.

4.16 The Company has received approvals from renowned domestic and international customers to supply various grades of specialty steels. The Company has also developed several grades which were hitherto entirely imported.

4.17 The demand for specialty steel products has improved consequent to higher demand in the automotive and engineering sectors. This growth is expected to accelerate in the year in progress.

4.20 Industrial Machinery Division:

4.21 During the year under review, this Division reported a turnover of Rs.3,031 million as against Rs.2,441 million in the previous year. Though the market conditions remained subdued during the year, the Division achieved an increase in the turnover on account of the orders in hand at the beginning of the year. The Industrial Machinery Division has been showing continuous improvement in its performance and has orders

on hand aggregating Rs.4,661 million as at the end of the year.

4.22 The Division continues its focus on the design, manufacture, erection and commissioning of heavy duty cranes and equipment for ports and process plants. It has, in the year under review, successfully completed the supply and erection of a 500 metric ton four girder double trolley crane for a power plant, electric level luffing and large capacity electric overhead traveling cranes for a large engineering company, and level luffing cranes for several sea ports in the Country. The Division commissioned a 60 metric ton carrying capacity, 55 meter radius level luffing traveling tower crane for a shipyard along with Messer Obe Machinery of Japan. Supplies for the second and third crane for the same customer are under progress. The Division also proudly supplied and commissioned 11 rotating trolley cranes for a steel plant in the Country.

4.23 The division started the dispatches of equipment for IISCO for their Universal Mill Project and plans to complete the majority of the supplies during the next financial year. It has also supplied electrical packages to various power plants for NTPC and expects to complete all supplies during the next financial year.

4.30 Road Construction Division:

4.31 The revenue from this Division was lower for the year under review at Rs.285 million as compared to Rs. 377 million in the previous year as the project is nearing completion. As on March 31, 2010, the Division completed 296 km of two lanes of the main carriage way and 70 km of service roads; representing 99% of the total work of both the Projects.

Of the two Projects, one near Varanasi and the other near Kanpur, the Division has received the "take over" certificate from the National Highway Authority of India for the former one. In the Project near Kanpur, two of the three sections have been completed and 97% of the third section has also been completed. The Company expects to complete this package by end of the year in progress.

4.32 The Company has incurred losses in this segment of the business due to incremental jobs executed, cost escalations, time-overruns, etc.. Although the full financial outcome of the Division's activity cannot be estimated with certainty at present, the management has accounted for the losses currently expected till the close of the year, keeping in mind the claims made by the Company.

5.0 Finance:

5.01 The working capital borrowings in the second half of the year under review have gone up on account of the need to fund the increased cost of inputs like metallurgical coke, iron ore, ferro-alloys, furnace oil, etc. On achieving better utilization of capacity and improvement in margins, the Company expects to reduce its dependence on borrowed capital.

5.02 Fixed Deposits:

The Company accepts / renews fixed deposits from its shareholders and the public. The deposits outstanding at the close of the year amounted to Rs.1,421.44 million (previous year : Rs.818.15 million), including Rs.7.78 million which remained unclaimed after maturity by depositors. The Company has, during the year, transferred Rs.0.43 million being unclaimed deposits and interest thereon to the Investor Education and Protection Fund set up by the Government of India.

6.0 Joint Ventures:

6.01 For stainless steel wires:

For the manufacture of stainless steel wires, the Company invested a total of Rs.130 million in a Joint Venture company, Mukand Bekaert Wire Industries Pvt. Ltd., including Rs.11.30 million during the year under report. The joint venture company achieved 60% capacity utilization of the 6,000 metric ton installed capacity as on March 2010. Investments for installation of the additional 6,000 metric tons capacity will be made when the current utilization reaches 80%.

This joint venture company has made inroads into the domestic as well

as the export markets for its products. The Company is the primary source for the supply of stainless steel wire rods for this Joint Venture and a total of 1,014 metric tons of stainless steel wire rods have been supplied in F.Y. 2009-10.

6.02 For coal mining:

The Ministry of Coal, Government of India, allocated a coal block of 10.05 million tons in the Rajahara North (Central and Eastern), Jharkhand coal mines to a joint venture company. Mukand's share in this joint venture amounts to 5.87 million tons of coal. This joint venture company is actively coordinating with Central Coalfields Ltd. to complete the required formalities with Central / State Government Agencies.

7.0 Industrial Relations:

A Charter of Demands raised by the Workers' Union is pending with the appropriate authority in the State of Maharashtra. The Company has 2,004 permanent employees on its rolls as on 31, March 2010.

8.0 Corporate Social Responsibility:

8.01 By the Company:

The Company continues to support and encourage developmental activities that are inclusive in nature. The Company aims to get every girl child from the SC/ST and economically disadvantaged groups in Thane district to achieve a minimum education level of class X. The Company provided two sets of uniforms to 3,945 SC / ST school girls studying in standards VIII to X in schools across seven Talukas in Thane District. School bags were also distributed to students studying in a school in Ginigera district, Karnataka.

The Company is also involved in the promotion and education of the importance of mangroves in Thane district. The employees of our Thane facility were involved in activities such as tree plantation drive, spreading environmental awareness, etc.. The Company also implemented a pilot project to harvest rain water in its facility in Thane. A 24 hour disaster management cell has been set up in the Company which makes available its ambulance and fire engine to the neighbouring areas in case of an emergency.

8.02 By the Group:

In addition to the activities carried out by the Company, the Bajaj Group of Companies are involved in a number of developmental initiatives relating to social, environmental and health issues. Some of the health related activities include, health care, prevention of HIV / AIDS and managing hospitals. On the education side, it includes managing schools and colleges and provides basic education and literacy to the children of schedule castes and tribes. The Group undertakes social services for women's empowerment, social welfare, employment generation, promotion of Gandhian values, technical education, etc. and declares awards for the excellence in these activities. The activities are implemented through its employees, Welfare Funds and Group NGOs / Trusts / Charitable Bodies operating at various locations in the Country.

9.0 Statutory disclosures:

9.01 The statutory disclosures in accordance with sections 217 (I) (e) of the Companies Act, 1956, with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo are made in Appendix-I to the report.

9.02 A statement showing details of employees covered within the purview of section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in Appendix-II to the report.

9.03 The Company has four wholly owned subsidiary companies, viz., Mukand Global Finance Limited, Vidyavihar Containers Limited, Mukand International Limited (MIL) and Mukand Vijaynagar Steel Ltd.. Mukand International FZE, a wholly owned subsidiary of Mukand International Limited is also deemed to be a subsidiary of the Company by virtue of the provisions of Section 4 of the Companies Act, 1956. MIL has paid

a dividend of USD 0.40 million on the share capital of USD 0.99 million.

A statement pursuant to Section 212 of the Companies Act, 1956 setting out the details of these subsidiaries is attached to the balance sheet. The Company has been exempted by the Central Government from attaching the financial statements of these subsidiaries to the accounts of the Company for the financial year 2009-10. A summary of the key financials of these subsidiaries is included in this annual report. The annual accounts of these subsidiaries will be made available to any member at the registered office of the Company and that of the subsidiary company concerned.

9.04 Consolidated financial statements (CFS), pursuant to clause 32 of the Listing Agreement, have been prepared by the Company in accordance with the requirements of Accounting Standard 21 prescribed under the Companies Act, 1956.

9.05 A report on corporate governance, pursuant to clause 49 of the Listing Agreement, along with the auditors' certificate regarding compliance of conditions of corporate governance and management discussion and analysis are separately given in this report.

10.0 Directors' Responsibility Statement:

Pursuant to section 217 (2AA) of the Companies Act, 1956, the directors confirm that:

- I. in the preparation of the annual accounts, the applicable accounting standards have been followed;
- II. appropriate accounting policies have been selected and applied consistently. Judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as on March 31, 2010, and of the Profit of the Company for the year ended March 31, 2010;
- III. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- IV. the Annual Accounts have been prepared on a going concern basis.

11.0 Group :

Pursuant to an intimation from the Promoters, the names of the Promoters and entities comprising "Group" as defined under the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969 are disclosed in the Annual Report for the purpose of Regulation of 3(1)(e)(ii) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

12.0 Directors:

12.01 Shri T. Chattopadhyay, Shri Rahul Bajaj and Shri Dhirajlal S. Mehta, directors of the Company, retire by rotation and are eligible for re-appointment. Shri Rahul Bajaj has expressed his desire not to seek re-appointment at the ensuing Annual General Meeting. Shri Rahul Bajaj has been on the Board of the Company since 1976 and was Chairman of the Company during the period 1999 to 2007. The Board of Directors acknowledges the unique and outstanding contribution made by Shri Rahul Bajaj. He became Chairman in 1999 after relinquishment of the office of the Chairman by Shri Viren J. Shah on his appointment as Governor of the State of West Bengal. During this period, the steel industry was passing through recessionary period and the Company's performance reflected the downturn and it was forced to operate under financial constraints. However, under his leadership, the Company sailed through these difficult times and improved its performance. The Board acknowledges and appreciates the guidance it received from time to time from Shri Rahul Bajaj.

13.0 Auditors:

M/s. Dalal & Shah, Chartered Accountants, statutory auditors of the Company, retire at the ensuing Annual General Meeting. However, they do not wish to seek re-appointment in view of the new SEBI guidelines with regard to Corporate Governance. The Directors wish to put on record their appreciation of the services rendered by the auditors since 1939.

The Company has received a notice from a member proposing the appointment of M/s. Haribhakti & Co., Chartered Accountants as Statutory Auditors of the Company to hold office from conclusion of ensuing Annual General Meeting till the conclusion of next Annual General Meeting. They have confirmed their eligibility and have given their consent for the proposed appointment. Members are requested to appoint Auditors at the ensuing Annual General Meeting.

14.0 Auditors' Report:

The observations made in the auditors' report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

15.0 Acknowledgement:

The Board of Directors thanks the Banks, Financial Institutions, Central and State Government Authorities, Shareholders, Customers, Suppliers and Business Associates for their continued co-operation and support to the Company. The Company also places on record, appreciation of the dedication and commitment of its employees at all levels and looks forward to their continued support in the future.

On behalf of the Board of Directors,

Niraj Bajaj
Chairman &
Managing Director

Rajesh V Shah
Co-Chairman &
Managing Director

Mumbai, May 26, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

On the bounce

The ultimate goal of every Company during a downturn is to maintain its financial strength and sharpen its competitive position. At Mukand we strived to do just that in the year that has gone by.

The recent slump in the global economy resulted in a shift of the economic activity to countries such as China and India. The two countries, although affected, managed to put up a positive growth at a time when the world was reeling under demand pressures.

The BRIC nations, Brazil, Russia, India and China have been a key growth driver for industry during the last five years. The share of this region in the total world production of steel increased from 39% to 58% in the last five years*. The overall growth in the region stood at 11% during 2004-09, as compared to the world growth of 3%*.

Specialty steel:

The specialty steel industry perhaps is one of the first to be hit in a downturn as the automotive industry slows down. Specialty steel, being a product that is linked to virtually every industry, is more susceptible to the fluctuations of the economy. In the year under review, it was only in the last quarter of the financial year 2010 that companies began to experience ripples of activity across many industries, ringing in the promise of a better tomorrow.

The specialty steel produced by your Company is mainly linked to the fortunes of the automotive and engineering industries. Fortunately for India, these sectors are back on the road to growth. The Indian automotive industry showed a significant growth of over 20%, across all categories, even when the world automobile industry was hit by an economic downturn. India continues its journey to become the automobile manufacturing hub of the world. The export of automobile and auto components was on the bounce during the year.

The specialty steel division maintained its net sales at Rs.16,331 million as against Rs.16,502 million in the previous year. The segment profit before interest and tax was at Rs.1,631.18 million compared to a loss of Rs.1,085.58 million in the previous year.

In the year that has gone by, Mukand concentrated on sharpening its competitive edge. The Company absorbed new technology and upgraded its processes enabling it to develop new grades for its customers. Studies to improve surface quality, enhance mechanical properties and develop import substitutions for various grades of specialty steel were successfully completed and the suggestions implemented for bulk production. These developments will definitely help Mukand cater to the high value segments of the domestic and international markets. These endeavours began to bear fruits with the Company recording an average increase of over 85% sales in the cold headed quality and specialty steel wire rods, both value added products.

The year under report also witnessed the successful commissioning and capacity achievement of the enhanced specialty steel making, rolling, heat treatment, pickling, bright drawing, peeling and wire facilities of the Company. The Company today has a capacity to produce half a million tons of specialty steel long products that are on par with the best in the world. As mentioned before, the Company's products feed into the automotive and engineering sectors which today are on a steady path to growth. The Company will utilize its added capacity to meet the growing needs of these sectors.

Rising input costs and a paucity of some of the inputs required for specialty steel making are however, causes for concern. Prices of inputs such as metallurgical coke, iron ore, nickel, ferro chrome, shredded scrap began to rise from the second half of the year under report.

Availability of Iron ore, a major input for the specialty steel making process, is also a cause for concern. Increase in the global demand for iron ore resulted in the bulk of the Country's mineral wealth being exported. Close to 50% of the iron ore produced in the country is exported.* This has in turn put pressure on the price and more importantly, availability of iron ore in the growing domestic specialty steel market.

India also faces a huge shortage of coking coal, another important component of steel making. It is expected that the demand for coking coal will increase on the back of a strong steel industry, which in turn will lead to higher imports and higher prices.

The growing demand for the Company's products enabled the Company to mitigate the rising input costs by increasing its selling prices by 12-15% during the year. Increased domestic capacity, competition from cheaper imports as a fall out of the lower demand from developed nations,

reduction in the import duty and strengthening of the Indian rupee will constantly put pressure on the Company's product pricing. The Company however, hopes to increase its selling prices, from time to time, to meet the rising raw material prices.

Cost management will remain the key driving factor for profitability for any company. The Company reduced its operating and over head costs through improving productivity and yield, conserving energy and water, process development, etc.. The Company also installed downstream facilities to improve its product mix and made investments to reduce cost of production. As part of its long term investments for sustainability, the Company installed a 15 mega watt captive power plant based on waste gasses emitted from a mini blast furnace which will be commissioned in July 2010 bringing down the energy costs of the facility. The Company is also in the process of setting up a coke oven plant near its facility in Ginigera, Karnataka.

In order to maintain its leadership position in the market, the Company is focusing its efforts on receiving the internationally reputed Deming Prize. The Company has also initiated the process for certification of the environment management system ISO 14001:2004.

Industrial Machinery:

The Division has maintained its leadership position in the design, manufacture and assembly of heavy duty cranes, bulk handling and process plant equipment. The Division recorded a 24% growth in the turnover despite sluggish market conditions. This growth was attainable mainly due to the good order book in hand at the beginning of the year.

The net sales of this Division was Rs.3,031 million as against Rs.2,441 million in the previous year. The segment profit before interest and tax stood at Rs.735.70 million as compared to Rs.696.63 million in the previous year.

The Division, along with Obe Machinery, Japan, completed the supply and erection of a 60 metric ton carrying capacity, 55 metre radius level luffing traveling tower crane for a modern shipyard in the Country. Orders for two more similar cranes from the same customer are in progress. The Company has also installed a 500 ton four girder double trolley crane for a power plant, 11 numbers of rotating trolley cranes for an integrated specialty steel plant and electrical level luffing cranes for major ports.

A consortium of companies including the Company, SMS Germany and Siemens India, were awarded the manufacture and erection of equipment for a new universal section mill for Indian Iron and Steel Company (IISCO). The total project cost is Rs. 9,000 million of which the Company's share amounts to Rs. 1,500 million. The Company also received orders from National Thermal Power Corporation for the supply, installation and commissioning of electrical equipment, cabling hardware, including design, supply and installation of lighting systems for super thermal power plants.

With the recessionary markets showing signs of recovery, the Government of India has resumed its infrastructure building activities in all major sea ports and public sector manufacturing enterprise. Large private manufacturing companies, who had hitherto put their expansion programmes either on hold or on a slow pace, are also expected to release their plans to gear up for a better tomorrow. This renewal of activity will enhance the order book of the Division.

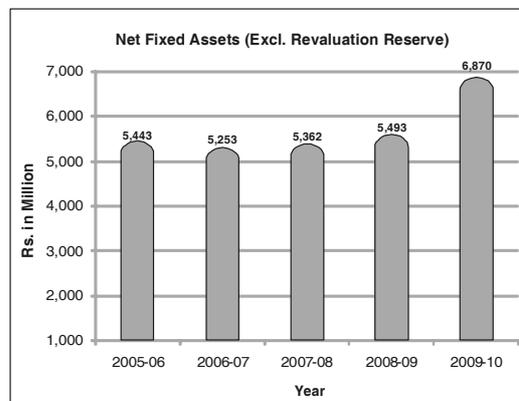
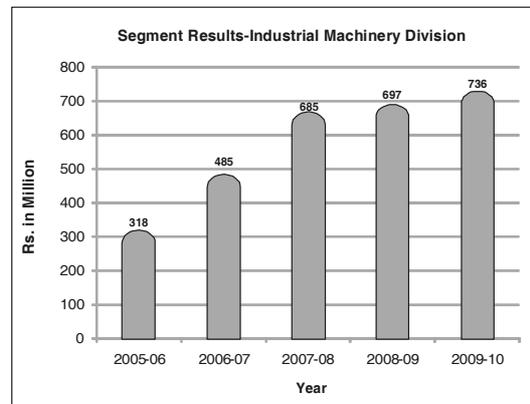
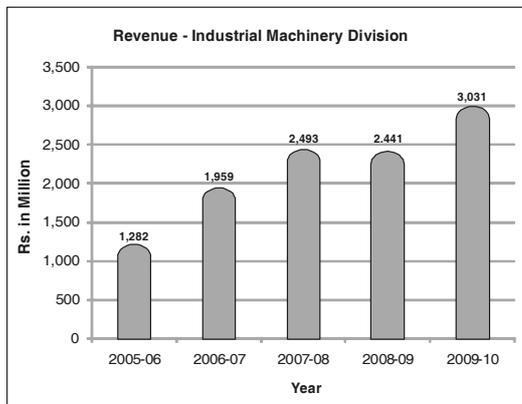
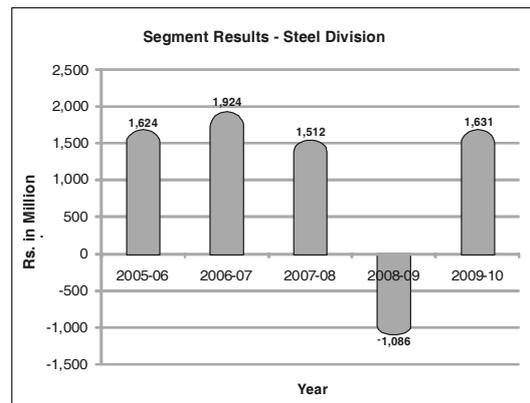
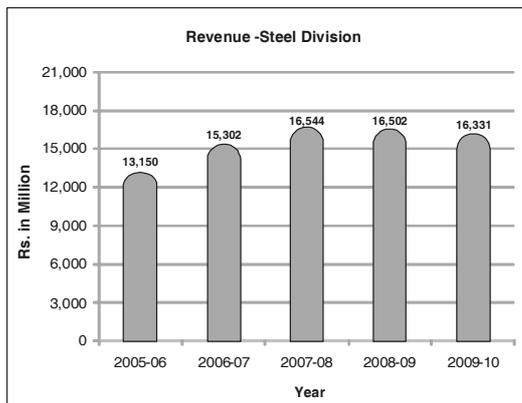
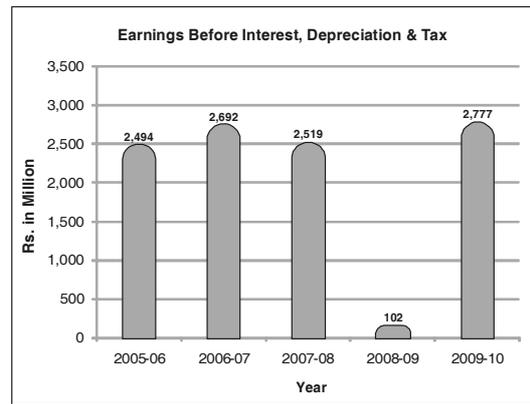
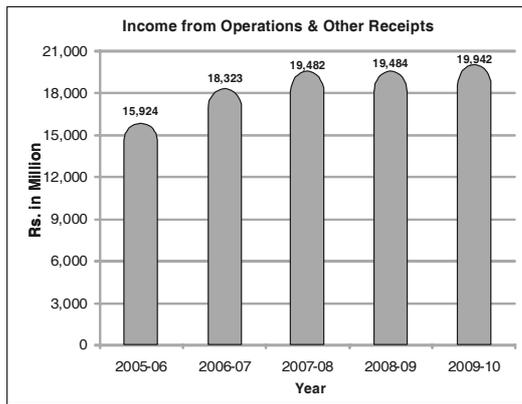
Internal control systems:

The Company has in place proper and adequate systems for internal controls that provide assurances on the efficiency of operations, security of assets, statutory compliances, appropriate authorization, reporting and recording of transactions. The management audit department of the Company prepares regular reports on the review of the systems and procedures. The scope of the audit activity is broadly guided by the annual audit plan approved by the Audit Committee. The Chairman and Managing Director of the Company regularly reviews significant audit observations and discusses corrective measures with the senior managers. The Chief of Management Audit monitors the implementation of these suggested measures.

Conclusion:

The Indian economy, particularly the specialty steel sector, is on the bounce. To take full advantage of this favourable condition and increase value for all stakeholders, the Company will continue to focus on improving its market share and competitive edge while reining in the costs for production and administration.

* Indian steel industry 2010 – Ernst & Young



CORPORATE GOVERNANCE REPORT

Corporate Philosophy: Mukand continues to uphold its commitment to adhere to high standards of Corporate Governance. The Company strives to ensure transparency in all its operations, make disclosures and comply with various laws and regulations. Emphasis therefore, is on adding value to its shareholders, investors, employees, suppliers, customers and the community.

1. THE BOARD OF DIRECTORS:

1.1 Composition and size of the Board:

The Board at present consists of 12 directors, including the Executive Chairman. Out of these 12 directors, 9 are non-executive directors, which include 6 independent directors. The Company has had no pecuniary relations or transactions with the Non-Executive Directors.

1.2 Board Meetings:

During the year under review, five Board Meetings were held on April 29, 2009, May 30, 2009, July 27, 2009, October 30, 2009 and January 20, 2010. The Board was presented with relevant and necessary information at these meetings. The attendance of each director at the Board Meetings during the year and at the last Annual General Meeting along with details of number of other public limited companies and committees where he is a director and member/chairman respectively is tabulated below:

Name	Category	Attendance Particulars		No. of positions held in other public limited companies		
		Board Meetings	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Shri Niraj Bajaj	P.CMD	5	Yes	11	2	-
Shri Rajesh V. Shah	P.CCMD	5	Yes	6	2	-
Shri Rahul Bajaj	P.NED	-	No	7	-	-
Shri Dhirajlal S. Mehta	I. NED	5	Yes	4	5	-
Shri Suketu V. Shah	P.Jt.MD	5	Yes	9	1	3
Shri Vinod S. Shah	NED	5	Yes	7	-	-
Dr. N.P. Jain,IFS(Retd.)	I.NED	5	Yes	1	-	-
Shri Narendra J. Shah	P.NED	4	Yes	-	-	-
Shri N.C. Sharma	I.NED	5	Yes	3	1	-
Shri T. Chattopadhyay	I.NED	4	No	1	-	-
Shri Prakash Mehta	I.NED	3	Yes	8	7	-
Shri Pradip P. Shah	I.NED	5	Yes	13	4	3

P: Promoter; CMD: Chairman & Managing Director; CCMMD: Co-Chairman & Managing Director, I: Independent, NED: Non-Executive Director; Jt.MD: Joint Managing Director

None of the directors is a member of more than ten committees or acting as Chairman of more than five committees across all companies in which he is a director.

1.3 Re-appointment of Directors:

Shri T. Chattopadhyay and Shri Dhirajlal S. Mehta retire by rotation and are eligible for re-appointment. Shri Rahul Bajaj also retires by rotation at the ensuing Annual General Meeting but has indicated his intention to not offer himself for re-appointment. Their attendance record in board/general meetings during the year under review is given in the Table hereinabove. Their brief particulars are:

Shri T. Chattopadhyay, 59, a Post Graduate in Chemistry joined Life Insurance Corporation of India (LIC) in 1977. He is working as Executive Director (Marketing) in Central Office, Mumbai of LIC since May, 2008. He worked as Executive Director (Micro Insurance) during 2007-08. He was Zonal Manager In-charge, South Central Zone, Hyderabad from 2004 to 2007. He worked in almost all the Zones of LIC as Regional Manager (Marketing), Senior Divisional Manager In-charge, Marketing Manager etc. He has been a Director of the Company since May 29, 2004.

Shri Dhirajlal S. Mehta, 73, is a Commerce Graduate with Honors from Sydenham College of Commerce & Economics, University of Mumbai. He is a Fellow Member of Institute of Chartered Accountants of India and a Fellow Member of Institute of Company Secretaries of India. He has been associated with Bajaj Group of companies since 1966. He has extensive experience in corporate laws, taxation, finance and investments.

While in active professional career, he worked for several committees of SEBI, CII, FICCI and Government of India. He is also associated with a number of social, educational and welfare organizations, including as President of Kasturba Health Society (Mahatma Gandhi Institute of Medical Sciences), Chairman of Kasturba Gandhi National Memorial Trust and a Trustee of Gandhi Smarak Nidhi, Delhi.

He has been associated with the Company as a Director since 1976. He presently holds directorships in the following other listed companies :

1. Bajaj Auto Ltd.
2. Bajaj Auto Finance Ltd.
3. Bajaj Hindustan Ltd.
4. Maharashtra Scooters Ltd

2. AUDIT COMMITTEE :

The Audit Committee consists of Dr. N.P. Jain, Chairman, Shri Dhirajlal S. Mehta, Shri N.C. Sharma and Shri Prakash V. Mehta all of whom are Independent Directors. Terms of Reference of the Audit Committee specified by the Board are as contained in Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

During the year under review five meetings of the Audit Committee were held. Dr. N.P. Jain, Shri Dhirajlal S. Mehta and Shri N.C. Sharma attended five meetings of the Committee while Shri Prakash V. Mehta attended three meetings. These Meetings were also attended by the Statutory Auditors, Chief – Management Audit, Cost Auditors and Shri Niraj Bajaj - Chairman & Managing Director, Shri Rajesh V. Shah - Co-Chairman & Managing Director, Shri Suketu V. Shah - Joint Managing Director and Shri S.B. Jhaveri – Chief Financial Officer. Shri K.J. Mallya - Company Secretary acts as Ex-officio Secretary to the Audit Committee.

Apart from considering un-audited and/or audited financial results for the relevant quarters and for the year prior to adoption/ approval by the Board, the Committee focused its attention on key areas impacting the overall performance of the Company, operations of Plants, management audit, cost audit, review of internal control system, major accounting policies and practices, current assets management, performance reviews, annual budget and annual internal audit plan. Based on the Committee's discussions and review of the observations of the reports submitted by the Company's internal audit department on systems and controls, cost control measures and statutory compliance in various functional areas, the Audit Committee advises the management on areas where greater internal control and internal audit focus was needed and on new areas to be taken up for audit.

3. REMUNERATION OF DIRECTORS :

The shareholders at the Annual General Meeting of the Company held on July 29, 2008, re-appointed Shri Niraj Bajaj as Chairman & Managing Director, Shri Rajesh V. Shah as Co-Chairman & Managing Director and Shri Suketu V. Shah as Joint Managing Director for a period of 3 years w.e.f. July 5, 2008 on remuneration as per the recommendation of the Remuneration Committee.

The details of remuneration of Shri Niraj Bajaj - Chairman & Managing Director, Shri Rajesh V. Shah - Co-Chairman & Managing Director and Shri Suketu V. Shah - Joint Managing Director are given below :

	(Rs. in lacs)		
Remuneration Package	Niraj Bajaj	Rajesh V. Shah	Suketu V. Shah
Salary and allowances	45.00	45.00	42.00
Contribution to Provident Fund and Other funds	6.40	6.40	6.04
Perquisites	0.75	3.00	1.85

The Chairman & Managing Director, the Co-Chairman & Managing Director and the Joint Managing Director have agreements with the Company for a period of 3 years which can be terminated by giving 6 months' notice in writing.

The Company does not pay any remuneration to the Non-executive Directors of the Company except for the payment of sitting fees for attending Board / Committee meetings. The Company has not issued stock options to any of its Directors.

Details of sitting fees paid to the Non-executive Directors during the year ended March 31, 2010 and the shares in the Company held by them as on March 31, 2010 are as under:-

Sr. No.	Name of the Director	Sitting Fees (Rs.)	Shareholding	
			Equity Shares	0.01% Cumulative Redeemable Preference Shares
1	Shri Rahul Bajaj	-	136,022	23,311
2	Shri Dhirajlal S. Mehta	165,000	277	69
3	Shri Vinod S. Shah	75,000	6,032	464
4	Dr. N. P. Jain, IFS(Retd.)	165,000	40	10
5	Shri Narendra J. Shah	60,000	99,605	8,245
6	Shri N.C. Sharma	165,000	-	-
7	Shri T. Chattopadhyay	60,000	-	-
8	Shri Prakash V. Mehta	90,000	2,000	-
9	Shri Pradip P. Shah	75,000	96	24

4. SHAREHOLDERS' / INVESTORS' GRIEVANCES:

The Shareholders' / Investors' Grievance Committee consists of Shri N. C. Sharma -Chairman, Shri Dhirajlal S. Mehta and Dr. N.P. Jain all of whom are independent Directors. The ninth meeting of the Committee was held on May 26, 2010. As on March 31, 2010, no request for transfer of shares and for dematerialisation of shares was pending for approval. Shri K.J. Mallya, Company Secretary is the Compliance Officer.

There were no major complaints from the investors. Routine complaints relating to non-receipt of annual report, details of shares offered, payment of dividends, transfer of shares, dematerialisation of shares and request for change of address, etc. were attended generally within 3 / 4 days. The Company had received 4 complaints from shareholders (out of which 3 were through the Securities and Exchange Board of India) which were promptly attended.

5. GENERAL BODY MEETINGS:

Last three Annual General Meetings were held at Kamalnayan Bajaj Hall, Bajaj Bhawan, Jammalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021 on the following dates and time:

AGM	Date	Time
69th	July 14, 2007	11.30 a.m.
70th	July 29, 2008	4.00 p.m.
71st	July 27, 2009	4.00 p.m.

The Company had passed 3 Special Resolutions in the Annual General Meeting held on July 29, 2008 for re-appointment and payment of remuneration to Shri Niraj Bajaj as Chairman & Managing Director, Shri Rajesh V. Shah as Co-Chairman & Managing Director and Shri Suketu V. Shah as Joint Managing Director which were put to vote by show of hands and were passed unanimously.

6. DISCLOSURES:

6.1. Related Party Transactions:

There were no materially significant related party transactions made by the Company with its promoters, directors or their relatives during the year, which may have potential conflict with the interest of the Company at large. The details of transactions with related parties are disclosed in the Accounts.

6.2. Compliance with Regulations:

There were no non-compliance matters related to capital markets by the Company during the last three years, nor did the Company attract any penalties or strictures passed by the stock exchanges, SEBI or any other statutory authority.

6.3. Risk Management:

The process of identification and evaluation of various risks inherent in the business environment and the operations of the Company and initiation of appropriate measures for prevention and/or mitigation of the same are dealt with by the concerned operational heads under the overall supervision of the Managing Directors of the Company. The Audit Committee periodically reviews the adequacy and efficacy of the overall risk management system.

7. CODE OF CONDUCT:

The Company adopted a Code of Conduct for its Directors and Senior Management cadres in the meeting of Board of Directors held on October 28, 2005. The Directors and senior management personnel have affirmed their compliance of the Code of Conduct.

8. CODE FOR PREVENTION OF INSIDER TRADING:

The Company has instituted a Code of Conduct for prevention of Insider Trading in the securities of the Company for its Directors and key managerial staff as required by SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

9. CEO AND CFO CERTIFICATION:

In accordance with the requirement of clause 49(V) of the Listing Agreement, the CEOs i.e., Chairman & Managing Director and Co-Chairman & Managing Director and CFO i.e., Chief Financial Officer have furnished the requisite certificate to the Board of Directors of the Company.

10. MEANS OF COMMUNICATION:

The quarterly un-audited and yearly audited financial results are published in English and regional language newspapers. The financial results, shareholding pattern and other corporate communication to stock exchanges, filed in compliance of clause 52 of the Listing Agreement, under Corporate Filing and Dissemination System (CFDS) are available at the website www.corpfilling.co.in and on the corporate website of the Company www.mukand.com. The Management Discussion and Analysis is a part of the Annual Report. All financial and other vital information is promptly communicated to the Stock Exchanges where the Company's shares are listed.

Information, in words and visuals, about the Company and its businesses, including products manufactured, projects executed, facilities and processes, quality policy, financial results, shareholding pattern, code of conduct etc. is available at the corporate website: www.mukand.com.

11. SHAREHOLDERS' INFORMATION:

11.1 Annual General Meeting:

Date	Wednesday, July 28, 2010
Time	4.00 p.m.
Venue	Kamalnayana Bajaj Hall, Bajaj Bhawan, Jammalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021.

11.2 Financial calendar:

Financial Year : April 1 to March 31

Consideration of Financial Results (tentative):

i.	First quarter	[unaudited]	last week of July.
ii.	Second quarter	[unaudited]	last week of October.
iii.	Third quarter	[unaudited]	last week of January.
iv.	Annual	[audited]	last week of May.

11.3 Date of Book Closure and Dividend Payment:

The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, July 10, 2010 to Friday, July 23, 2010 (both

days inclusive) for the purpose of payment of dividend on Equity Shares and 0.01% Cumulative Redeemable Preference Shares.

The equity and preference dividend as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid at par on or after August 3, 2010 to those members whose names appear on the Company's Register of members as holders of equity / preference shares in physical form on July 9, 2010. In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership details to be furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for this purpose.

11.4 Stock Exchange Listing:

Equity Shares and 0.01% Cumulative Redeemable Preference Shares (CRPS) of the Company are listed on Bombay Stock Exchange Ltd.(BSE) and National Stock Exchange of India Ltd.(NSE) and the applicable listing fees have been paid to the Exchanges.

11.5 Stock Code:

	Equity	CRPS
1. BSE	500460	700087
2. NSE	MukandItd	Mukandcrps
3. ISIN	INE 304A01026	INE 304A04012

11.6 Stock Price Data:

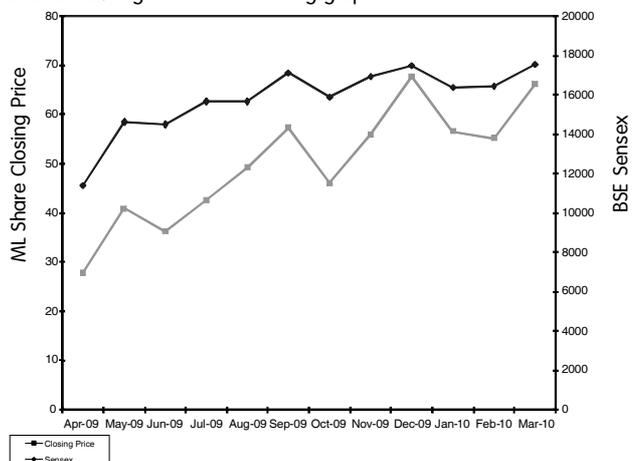
Monthly highs and lows of the Company's Equity Share prices on the BSE and NSE in the year 2009-10 is given hereunder:

Month	BSE		NSE	
	High	Low	High	Low
<i>Rs. per share</i>				
Year 2009				
April	40.70	22.10	38.30	21.75
May	41.80	27.95	42.00	27.40
June	49.85	34.70	50.00	34.60
July	44.20	30.50	44.10	30.25
August	54.55	41.00	54.00	41.00
September	69.10	46.50	69.40	46.10
October	61.75	45.25	61.70	43.10
November	62.45	48.15	62.55	45.75
December	70.20	55.95	69.90	56.00
Year 2010				
January	71.50	54.50	72.00	53.95
February	61.75	53.55	61.75	53.60
March	68.35	55.50	68.40	55.40

During the year, CRPS were traded on BSE and the price ranged between Rs. 2.73 and Rs.7.00 per share.

11.7 Comparative Stock Price Performance :

The Equity share prices of the Company on BSE in comparison with the BSE sensx is given in the following graph:



11.8 Share Transfer Agents:

M/s Karvy Computershare Private Limited are the Share Transfer Agents of the Company for carrying out work relating to Share transfers of the Company.

11.9 Share Transfer System:

The Share transfers are approved by a Committee of Directors, which is normally done once in 10 days. Share transfers are registered within a period of 15 days from the date of receipt, if the documents are complete in all respect. The Company has followed the guidelines issued by SEBI for dematerialisation of Shares.

During the year, 35,121 Equity Shares and 12,230 CRPS were transferred in physical (non-dematerialised) form.

11.10 Distribution of Shareholding:

The Company had 48,910 Equity Shareholders and 43,686 CRPS holders as on March 31, 2010. Distribution of shareholding is given in the table hereunder:

Distribution of Shareholding	No. of Equity Shares	% of Equity Shares	No. of Equity Share holders	% of Equity Share holders
Upto - 50	559,403	0.77	24,208	49.49
51 - 100	817,977	1.12	9,570	19.57
101 - 500	2,866,162	3.92	11,000	22.49
501 - 1,000	1,717,457	2.35	2,148	4.39
1,001 - 5,000	3,337,527	4.56	1,544	3.16
5,001 - 10,000	1,321,114	1.81	184	0.38
10,001 & above	62,494,489	85.47	256	0.52
Total	73,114,129	100.00	48,910	100.00

Distribution of Shareholding	No. of CRPS	% of CRPS	No. of CRPS holders	% of CRPS holders
Upto - 50	418,862	7.45	39,368	90.12
51 - 100	158,249	2.81	2,043	4.68
101 - 500	382,558	6.80	1,788	4.09
501 - 1,000	160,050	2.84	213	0.49
1,001 - 5,000	422,001	7.51	195	0.44
5,001 - 10,000	244,430	4.34	33	0.08
10,001 & above	3,840,170	68.25	46	0.10
Total	5,626,320	100.00	43,686	100.00

The shareholding pattern of Equity Shares as on March 31, 2010 is given in the table as under:

Sl. No.	Category of Shareholders	No. of Shares	% of Total Shareholding
1	Promoter & Promoter Group	40,233,384	55.03
2	Mutual Funds and Unit Trust of India	6,027	0.01
3	Financial Institutions & Banks	231,584	0.32
4	Insurance Companies	7,584,184	10.37
5	Other Bodies Corporate	8,065,522	11.03
6	Foreign Institutional Investors	3,332,294	4.56
7	Non Resident Indians / OCBs	192,833	0.26
8	Indian Public	13,468,301	18.42
	Total	73,114,129	100.00

11.11 Dematerialisation of Shares and liquidity:

The Company's Shares are dealt with both the depositories viz. NSDL and CDSL. The Company for the benefit of the Shareholders has made one time payment to NSDL towards custodial charges. During the year, 979,139 Equity Shares and 233,033 CRPS were dematerialised in respect of 492 and 284 requests respectively. The dematerialisation level as on March 31, 2010 stood at 96.56 % of total paid-up Equity Share capital and 89.39 % of the total paid-up 0.01% Cumulative Redeemable Preference Share

Capital. As on March 31, 2010, 30,480 Shareholders held 70,597,065 Equity Shares and 18,604 Shareholders held 5,029,462 CRPS in demat form.

**AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF
CONDITIONS OF CORPORATE GOVERNANCE**

11.12 Plant Locations:

Dighe, Thane , Maharashtra 400 605
Giniger, Karnataka 583 228

To the Members of Mukand Limited

11.13 Address for Correspondence:

- (i) Physical Shares (Equity and Preference):
Share Transfer Agents :
M/s Karvy Computershare Private Limited,
Plot No.17 to 24, Vittalrao Nagar, Madhapur
Hyderabad - 500 081
Tel: (040) 23420815 to 824
Fax: (040) 23420814
E-mail : mohsin@karvy.com
- (ii) Demat Shares (Equity & Preference) :
Respective Depository Participants of Shareholders
- (iii) Shares, Debentures & Fixed Deposits :
4th Floor, Bajaj Bhavan, Jammalal Bajaj Marg,
226, Nariman Point, Mumbai 400 021.
Tel: Shares & Debentures: 022- 61216633
Fixed Deposits: 022 61216629
Fax: 022-2202 1174
E-mail : Shares & Debentures: investors_cell@mukand.com
Fixed Deposits: fixeddeposit@mukand.com

We have examined the compliance of conditions of Corporate Governance by Mukand Limited, for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Dalal & Shah
Firm Registration Number: 102021W
Chartered Accountants

Ashish Dalal
Partner

Membership Number:033596

12. Auditors' certificate on Corporate Governance:

The Company has obtained a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in the Listing Agreement with the Stock Exchanges. This is annexed to the Directors' Report. The certificate will be sent to the Stock Exchanges along with the annual return to be filed by the Company.

Mumbai
26th May 2010

**DETAILS OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2010 OF SUBSIDIARY COMPANIES.**

Rs.'000

Sl. No.	PARTICULARS	Indian Subsidiaries			Foreign Subsidiaries	
		Mukand Global Finance Limited	Vidyavihar Containers Limited	Mukand Vijayanagar Steel Limited	Mukand International Limited.	Mukand International FZE
1	Share Capital	117,495	1,197,676	700	44,236	61,176
2	Reserves and Surplus	244,327	2,689	-	11,484	933
3	Total Assets	1,279,228 @	137,315	195	55,720	62,109
4	Accumulated Losses	-	(2,021,655)	(69,628)	-	-
5	Total Liabilities	1,279,228	2,158,970	69,823	55,720	62,109
6	Investments in Shares	198,480	90	-	61,176	-
7	Turnover and Other Income	98,805	12,745	-	764,286	271,616
8	Profit / (Loss) before Taxation	(31,463)	2,239	(69,628)	12,258	1,267
9	Provision for Taxation (including for earlier years)	(30) *	350	-	3,342	-
10	Profit / (Loss) After Taxation	(31,493)	1,889	(69,628)	8,916	1,267
11	Dividend paid	-	-	-	17,960	-

@ Includes deferred tax assets (net)

* Includes provision for deferred tax.

Note: In respect of foreign subsidiary

- a) Item nos.1 - 6 and 11 are translated at exchange rate as on 31st March, 2010, of US\$ 1=Rs. 44.90
b) Item nos. 7 - 10 are translated at annual average exchange rate of US \$ 1= Rs. 47.42

The above details have been annexed in terms of approval Letter no. 47/32/2010 -CL-III dated 19-3-2010 issued by Government of India, Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956

Appendix-I to the Directors' Report

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of Particulars in the report of Board Of Directors) Rules, 1988.

(A) Conservation of Energy :

(a) Energy Conservation Measures taken :

Steel Plant :

(a) To reduce electrical energy consumption :

- Reduction in total charge in Ultra High Power Furnace (UHPF) for nickel bearing grades of stainless steel by shifting part of input additions at UHPF to the converter.
- Reduction in process cycle time to avoid heat dissipation leading to reheating of liquid metal.
- Modification of water system for optimising operation of water pumps in Steel Melt Shop (SMS).
- Replacement of centrifugal water pumps with energy efficient pumps in Wire Rod Mill.
- Automation of switching off the blowers and lubrication pumps in the plant during non-production time.
- Reduction in leakages of compressed air at various locations in the plant for optimised use of the compressors.
- Installation of additional capacitors to improve the power factor.
- Installation of thermostatic controllers for automatic switching off / on the cooling tower fans.
- Reduction in the transformer losses by switching off low load transformers to obtain better efficiency.
- Controlling maximum demand by rationalising operations of various equipment.
- Installation of a 15 MW captive power plant at Ginigera utilising flue gases generated from the new Third Mini Blast Furnace.

(b) To reduce Fuel Oil consumption :

- Reduction in pre-heating time of Ladle.
- Improving Ladle life by increase in heat campaign size.
- Increase in the number of heats per tundish by planning sequence of heats.
- Installation of air controlled valve of higher capacity in Wire Rod Mill (WRM) for better control at a lower volume.
- Installation of Oxygen Monitoring System on Wire Rod Mill Billet Reheating Furnace with air fuel ratio control loop.
- Obtained better fuel efficiency in reheating furnace through use of crisscross software by controlling air fuel ratio and regular review of temperature.
- Reduction of down time by improvement in hourly output of the WRM.
- Replacement of burners with lower pressure burners.
- Installation of higher capacity modulating motors in Blooming Mill Furnace to facilitate easy control of combustion air.

(c) Additional Investments and proposals being implemented for reduction in consumption of energy :

Steel Plant:

(a) To reduce electrical energy consumption :

- Installation of Variable Frequency Drive in fan motor.

- Installation of energy efficient lights in factory sheds.
- Replacement of existing Man Coolers with energy efficient Man Coolers.
- Installation of Solar Heaters and LED lights.

(b) To reduce Fuel Oil consumption :

- Optimization of Boiler usage by change in the practice of switch ON/OFF.
- Longer campaign of casting of heats in SMS.
- Development of SPC technique for continuous monitoring of Charge Mix, reduction in charging time and input management.
- Installation of proper line heaters for better combustion of oil and energy usage.
- Installation of auto control system for automizing air in reheating furnace.
- Use of higher capacity Thermic Fluid in WRM.
- Revamping of Blooming Mill Furnace to improve output and efficiency.

(c) Impact of the above measures at (a) and (b) for reduction in energy consumption and consequent impact on the cost of production of goods.

Due to measures taken as described above, the overall power and fuel oil consumption at Steel Plants has reduced and reduction in the cost of production is achieved.

(d) Total energy consumption and energy consumption per unit of production.

Form - A

Form for disclosure of particulars with respect to conservation of energy.

A. Power and Fuel Consumption :

	2009-10	2008-09
1. Electricity Purchased :		
Unit : '000 kwh	116,522	107,788
Total amount – Rs '000	608,479	554,697
Rate / Unit – Rs./kwh	5.22	5.15
2. Own Generation Through Fuel Oil		
Unit : '000 kwh	86,812	72,118
Unit / litre of Fuel Oil	4.41	4.41
Rate / Unit — Rs. / kwh	4.77	4.72
3. Furnace Oil*		
Quantity (Kl.)	40,038	35,010
Total amount – Rs. '000	905,018	819,349
Average Rate – Rs./Kl.	22,604	23,403
4. Coke		
Quantity (MT)	187,314	137,518
Total amount – Rs. '000	3,277,309	3,736,117
Average Rate – Rs. / MT.	17,496	27,168
* Includes diesel oil.		

B. Consumption per unit :

	2009-10	2008-09	2007-08
1. Electricity kwh / tonne :			
Rolled Products	477	571	488
2. Furnace Oil * ltr./tonne			
Rolled Products	51	60	54
* Includes diesel oil.			
3. Coke Kg. / tonne:			
Hot Metal	694	733	687

(B) Form for disclosure of particulars with respect to Technology Absorption, Research and Development.

(a) Research and Development :

1. Specific areas in which Research and Development was carried out by the Company.

- Studies conducted to improve the surface quality of Titanium and Niobium stabilized stainless steel through process improvements and optimization of chemistry.
- Studies to obtain favourable microstructure and thereby the mechanical properties for duplex stainless steels carried out and extended to bulk production.
- Improvement in cleanliness of Chrome-Silicon spring steel for automobile suspension springs achieved through studies on inclusion characterization and modified de-oxidation practice in steelmaking.
- Development activities and bulk production of variety of stainless steel grades conforming to American Welding Society (AWS) standard carried out.
- All the laboratories in the Steel Plant were accredited to NABL ISO/TS 17025 certification.
- Process improvement studies on manufacture of duplex stainless steels to meet specific corrosion properties of international customers were carried out and the acceptability of product established.
- Special medium carbon leaded steel developed for rack bar application to meet specific mechanical property requirements in the quenched and tempered condition.
- Continued studies related to production of high clean ball bearing steels.
- Electrode grade wire rod for use in welding with higher oxidation resistance through Zirconium / Aluminium alloying developed as import substitution.
- Welding electrode grade with high Molybdenum developed for use in Submerged Arc Welding (SAW) without use of carbon dioxide.

2. Benefits derived as a result of the above efforts.

- Capability to cater to high value segment of domestic and international markets enhanced.
- Horizontal deployment in related grades can be implemented to meet wider grade and application coverage to improve market share in higher value added segment.
- Improvement in productivity / quality and reduction in cost of production at Company's plants and at customer's end.

3. Future Plan of Action :

- To carry out studies for manufacture of stainless steel wire rods for solenoid valve application.
- Manufacture lean duplex stainless steel grades for use in machined components and construction rebars.
- Continue studies on low interstitial / stabilized ferritic stainless steels for variety of applications.
- Continue trials and developmental actions for assessment of performance of ball bearing steels in ball application.
- Development of high Chromium/ high Nickel heat resistant stainless steel with improved corrosion resistance with addition of Molybdenum.
- Widen the application areas of micro alloyed steels in auto segment.
- Studies through water modeling of Energy Optimising Furnace (EOF) to find causes for boiling tendencies and also identify scope for reduction in

blowing time in technical collaboration with IIT, Kanpur.

- Heat transfer studies in 240mm X 280mm blooms through mathematical modeling to optimize taper value, casting speed and right quality of casting powder through technical collaboration with IIT, Chennai.

4. Expenditure on R & D :

	2009-10 Rs.'000	2008-09 Rs.'000
(a) Capital	3,130	4,331
(b) Recurring	7,179	6,182
Total	10,309	10,513
Total R&D expenditure as a % of total turnover	0.05	0.05

(b) Technology absorption, adaptation and innovation.

(1) Efforts made towards technology absorption, adaptation and innovation :

- Rolling of a coil weighing 1,500 kgs. and a wide range of sections to be rolled in the form of wire rods as well as straight length.
- Implementation of Total Productive Maintenance system reduced product defects / losses / breakdowns / accidents, etc.

Development of new grades of steel for :

- Micro-alloyed steel for forging of Common Rail Diesel Injection Components in automobile applications.
- Chrome Silicon Springs Steel with higher fatigue life for automobile suspension spring applications.
- Welding Rod grade steel for export market for production of Tig Welding Wire.
- Spheroidised annealed black bars for large size bearings.
- Hardened and Tempered Bright Bars for Steering Rack Bar.
- Hot Rolled Wire Rods for Fasteners Industry to produce higher grade fasteners.
- 32 mm/34 mm dia. Wire Rods for higher size bolts.
- Steel for cold forged shafts for motorcycles.
- 50 mm dia Hot Rolled Bars for Bevel Gear application.
- Steel for Spools in Control Valves.
- Duplex Stainless Steel for seamless tubes and valve body forgings for petrochemical industry.
- Bulk production of a variety of stainless steel grades conforming to American Welding Society resulting in import substitution.
- Steel for use in Submerged Arc Welding applications.
- Machine-able stainless steel wire rods for printer shaft quality for export markets.
- Martensitic grades of stainless steel for export markets.
- Pump shaft quality bars for export markets.

(2) Benefits derived as a result of the above efforts :

- Improvement in quality, yield and customer satisfaction.
- Improvement in the market share and increase in volume of value added products.

(3) Imported Technology :

Company has not imported any technology during the year under review.

(C) Foreign Exchange Earnings and Outgo

	2009-10 Rs. '000
(i) Foreign Exchange Earnings	790,093
(ii) CIF Value of imports	4,111,382
(iii) Expenditure in Foreign Currency	55,828

APPENDIX II TO THE DIRECTORS' REPORT

Statement of Particulars pursuant to the provision of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2010

Sr. No.	Name	Age (Yrs.)	Designation & Nature of Duties	Qualification	Experience (Yrs.)	Remuneration Received		Date of Commencement of employment	Last Employment held, Designation, Name of the employer (Years for which post held)
						Gross Rs.	Net Rs.		
A. Names of Employees employed throughout the year and in receipt of remuneration of not less than Rs.2,400,000/- per annum.									
1	Bajaj Niraj	55	Chairman & Managing Director	B.Com., M.B.A. (Harvard Business School)	29	5,215,264	3,279,670	31/03/1983	Executive Trainee, Bajaj Auto Ltd. (2)
2	D'Costa I M	67	Technical Director, (Steel Plant, Thane)	Grad. Incl. Eng., Dip. Elect & Mech., F.I.E. Chrt. Engg	49	3,123,221	2,004,188	02/02/1981	Sr.Dy. Supdt, Bihar Alloy Steels Ltd. (2)
3	Jhaveri S B	74	Chief Financial Officer	B.Com., A.C.M.A., A.I.C.W.A.	53	2,714,710	2,022,249	13/07/1956	Costing Asst., Shree Ram Mills Ltd. (3 Month)
4	Shah Rajesh V	58	Co-Chairman & Managing Director	M.A. (Cambridge), M.B.A. (California), P.M.D. (Harvard Business School)	33	5,440,000	3,263,742	11/06/1977	Director, Virani Fasteners & Bolts Pvt. Ltd. (1)
4	Shah Suketu V	55	Joint Managing Director	B.Com. (Hons.), M.B.A. (Harvard Business School)	28	4,988,535	2,965,236	29/12/1984	Executive Director, Adonis Laboratories (2 Yrs & 6 Mths)

NOTES:

- Gross remuneration includes Salary, House Rent Allowance, Leave Encashment, Medical Expenses, Other Allowances, Contribution to Provident and Superannuation Funds, and value of perquisites etc. but excludes contribution to Gratuity Fund.
- Net remuneration represents gross remuneration as above less taxes, contribution to Provident and Superannuation Funds.
- All appointments are contractual.
- None of the above employees is related to any Director of the Company except that Shri Rajesh V. Shah and Shri Suketu V. Shah are related to each other.

Persons constituting Group within the definition of "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969 for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following:

1 Anant Bajaj	41 Bajaj Sevashram Pvt. Ltd.	81 Priyadarshika R. Shah
2 Deepa Bajaj	42 Baroda Industries Pvt. Ltd.	82 Rajesh V Shah
3 Geetika Bajaj	43 Hercules Hoists Ltd.	83 Rishabh Vir Shah
4 Kiran Bajaj	44 Hind Musafir Agency Ltd.	84 Suketu V. Shah
5 Kriti Bajaj	45 Jannalal Sons Pvt. Ltd.	85 Viren J. Shah
6 Kumud Bajaj	46 The Hindustan Housing Company Ltd.	86 Anjana V. Shah
7 Madhur Bajaj	47 Bajaj Auto Ltd. Employees Welfare Funds	87 Amita Virendrakumar Shah
8 Minal Bajaj	48 Bajaj Electricals Ltd. Employees Welfare Funds	88 Adonis Laboratories Pvt. Ltd.
9 Nimisha Bajaj	49 Anant Trading Company	89 Akhil Investments and Trades Pvt. Ltd.
10 Niraj Bajaj	50 Bachhraj Trading Company	90 Amar Jyoti Agro Co. Pvt. Ltd.
11 Niravnayan Bajaj	51 Bajaj Trading Company	91 Amirvir Agro Co. Pvt. Ltd.
12 Pooja Bajaj	52 Rishabh Trading Company	92 Anant Jeevan Agro Co. Pvt. Ltd.
13 Rahul Bajaj	53 Anant Trust	93 Bahar Mercantile Ltd.
14 Rajivnayan Bajaj	54 Aryaman Trust	94 Bengal Port Private Limited
15 Rishabh Bajaj	55 Deepa Trust	95 Eastern Gateway Terminals Pvt. Ltd.
16 Ruparani Bajaj	56 Geetika Trust	96 Eurasia Corporate Services Pvt. Ltd.
17 Sanjali Bajaj	57 Kriti Trust	97 Galaxy Lifestyle Restaurants Limited
18 Sanjivnayan Bajaj	58 Minal Trust	98 JLS Realty Pvt. Ltd.
19 Shefali Bajaj	59 Neelima Trust	99 Jyoti Shah Premises & Investments Pvt. Ltd.
20 Shekhar Bajaj	60 Nimisha Trust	100 Kshitij Holdings & Engineering Pvt. Ltd.
21 Siddhant Bajaj	61 Niravnayan Trust	101 Kulpi Port Holding Pvt. Ltd.
22 Sunaina Kejriwal	62 Rishabhayan Trust	102 Kulpi Trading Company Pvt. Ltd.
23 Manish Kejriwal	63 Sanjali Trust	103 Rajpriya Agro Co. Pvt. Ltd.
24 Aryaman Kejriwal	64 Siddhant Trust	104 Rajvi Engineering & Investments Pvt. Ltd.
25 Neelima Bajaj Swamy	65 Bombay Forgings Ltd.	105 Salsette Investments Pvt. Ltd.
26 Aditya Swamy	66 Jeewan Ltd.	106 Shahvir Agro Pvt. Ltd.
27 Bachhraj & Company Pvt. Ltd.	67 Mukand Global Finance Ltd.	107 Sunnydays Agro Co. Pvt. Ltd.
28 Bachhraj Factories Pvt. Ltd.	68 Mukand Bekaert Wire Industries Pvt. Ltd.	108 Valiant Investments & Traders Pvt. Ltd.
29 Bajaj Allianz Financial Distributors Ltd.	69 Mukand Engineers Ltd.	109 Kubler & Co.
30 Bajaj Allianz General Insurance Company Ltd.	70 Mukand Ltd.	110 Aryaman Trust
31 Bajaj Allianz Life Insurance Company Ltd.	71 Mukand Vini Mineral Pvt. Ltd.	111 Ananya Foundation
32 Bajaj Auto Finance Ltd.	72 Sida Investments Ltd.	112 Decree Trust
33 Bajaj Auto Holdings Ltd.	73 Mukand Ltd. Employees Welfare Funds	113 Deva Deva Trust
34 Bajaj Auto Ltd.	74 Aryaman Vir Shah	114 Jadavdevi Amita Trust
35 Bajaj Electricals Ltd.	75 Bansri R. Shah	115 Jadavdevi Rajesh Trust
36 Bajaj Financial Securities Ltd.	76 Czaee S. Shah	116 Jadavdevi Suketu Trust
37 Bajaj Financial Solutions Ltd.	77 Jyoti Shah	117 Jyoti Shah Family Trust
38 Bajaj Finserv Ltd.	78 Kaustubh R. Shah	118 Rajesh V. Shah Family Trust
39 Bajaj Holdings & Investment Ltd.	79 Nalini N. Shah	119 Rajketu Trust
40 Bajaj International Pvt. Ltd.	80 Narendra J Shah	120 Suketu V. Shah Family Trust
		121 Suyojan Charities

Note: Shareholding of HUFs are held in the names of the respective individuals in the capacity of Karta. Hence HUFs are not separately listed hereinabove.

REPORT OF THE AUDITOR

1. We have audited the attached Balance Sheet of Mukand Limited (the "Company") as at 31st March, 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Without qualifying our report, we invite attention to the following:-
 - (a) Note No. B 6 (a) of Schedule 20 to the Accounts, relating to the Company's Exposures in Bombay Forgings Limited (BFL), aggregating Rs.805.26 Million as at 31st March, 2010, and the long term view on their recoverability based upon the projected future earnings from the business activities of BFL, barring significant uncertainties in the future;
 - (b) Note No. B 6 (c) of Schedule 20 to the Accounts, relating to the Company's Exposures in Stainless India Limited (SIL) aggregating Rs.586.99 Million as at 31st March, 2010 and our reliance upon the estimated realizable values of the unencumbered assets of SIL, being adequate to recover these exposures, barring significant uncertainties in future; and
 - (c) Note No. B 12 (c) of Schedule 20 to the Accounts, relating to the realisability of outstanding claims made by the Company aggregating Rs.1,191.93 Million, for incremental jobs executed, escalations and time overruns for its Road Construction Contract, which are dependent upon uncertainties inherent to these activities.
5. We invite further attention to the following:-
 - (a) *Note No. B 6 (b) of Schedule 20 to the Accounts, regarding the management's assessment, relying on the estimated realizable values of the financial assets of Vidyavihar Containers Limited (VCL) and its rights in a real estate development arrangement, that the unprovided Exposures of the Company, in VCL, aggregating Rs.1,106.38 Million as at 31st March, 2010, are good and fully realizable. In view of inherent uncertainties involved, we are unable to make an assessment of the said realisability with accuracy, and therefore, the same could necessitate provisioning, if it ultimately results in a shortfall;*
 - (b) *Note No. B 6 (d) of Schedule 20 to the Accounts, relating to the management's assessment that the investment made in and loans given to Mukand Global Finance Limited (MGFL) aggregating Rs.268.50 Million are good and fully realisable, against the estimated realizable value of the investment in MGFL, which is under consideration for disposal and since the negotiated price is yet undecided, any ultimate shortfall in the realisation, could necessitate provisioning at the point of disposal;*

In view of what is reported above, the aggregate impact of the same is not quantifiable by us.
6. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
7. In our opinion and to the best of our information and explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and *except for the adjustments that may be required in view of the matters referred to in paragraph 5 above*, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date and;
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For DALAL & SHAH
Firm Registration Number: 102021W
Chartered Accountants

Ashish Dalal
Partner
Membership No.: 033596

Mumbai
26th May, 2010

REPORT OF THE AUDITOR (Contd.)

ANNEXURE TO AUDITORS' REPORT

REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MUKAND LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has taken secured / unsecured loans, from four companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregate Rs.489.88 Million and Rs.143.57 Million, respectively.
- (c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (d) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, where applicable.
4. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any major weakness in internal controls.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred

to in Section 301 of the Act have been entered in the register required to be maintained under that section.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(I)(d) of the Companies Act, 1956 in respect of the Company's products to which the said rules are applicable, and are of the opinion that, prima facie, the prescribed records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, *except for income tax deducted at source*, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. There are no amounts outstanding for a period exceeding six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there were no disputed dues in respect of Wealth tax, Service tax, Customs duty, Excise duty and Cess. However, the following disputed dues in respect of Income tax and Sales tax as at 31st March, 2010, have not been deposited with the relevant authorities:

Nature of Dues	Amount (Rs. in Million)	Period to which the amount relates	Forum where the dispute is pending
Income Tax	5.98	2006-07	CIT (Appeal)
Sales tax & Entry Tax	46.36	2001-02, 2002-03 and 2003-04	High Court
	7.81	1988-89, 1989-90, 1996-97, 1998-99, 1999-00,	Tribunal
	69.62	2004-05	Departmental Authorities

REPORT OF THE AUDITOR (Contd.)

10. The Company does not have accumulated losses at the end of the current financial year. The Company has not incurred cash losses in the current year, but it has incurred a cash loss in the immediately preceding year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. On the basis of our examination of the documents and records of the Company, the Company has not dealt in, or traded in shares, securities, debentures and other investments.
14. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, as at the close of the year, there are no funds raised on a short-term basis which have been used for long-term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
18. The Company has not issued any debentures during the year.
19. The Company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

The other clauses, (iii) (b), (iii) (c), (iii) (d) and (xiii) of paragraph 4 of the Order are not applicable in the case of the Company for the year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For DALAL & SHAH
Firm Registration Number: 102021W
Chartered Accountants

Ashish Dalal
Partner
Membership No.: 033596

Mumbai
26th May, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

			31st March, 2010 Rs. '000	31st March, 2009 Rs. '000
Schedule				
I SOURCES OF FUNDS				
(1) Shareholders' Funds				
(a) Share Capital	1	787,520		787,520
(b) Reserves and Surplus	2	17,724,792		17,190,413
			18,512,312	17,977,933
(2) Deferred Tax Liability (net) [Refer Note B(19)]				
(3) Loan Funds				
(a) Secured Loans	3	13,329,815		12,398,588
(b) Unsecured Loans	4	3,489,719		1,522,031
			16,819,534	13,920,619
Total			35,331,846	31,898,552
II APPLICATION OF FUNDS				
(1) Fixed Assets				
(a) Assets				
(i) Gross Block		26,883,039		24,909,537
(ii) Less: Depreciation		6,623,176		6,026,075
(iii) Net Block		20,259,863		18,883,462
(b) Capital Work-in-Progress		1,218,209		2,717,728
			21,478,072	21,601,190
(2) Investments				
	6		1,061,762	1,049,392
(3) Current Assets, Loans and Advances				
(a) Inventories	7	7,711,636		6,227,423
(b) Sundry Debtors	8	7,438,974		6,414,879
(c) Cash and Bank Balances	9	1,018,259		1,044,378
(d) Other Current Assets	10	32,977		44,671
(e) Loans and Advances	11	3,707,270		3,717,555
		19,909,116		17,448,906
Less:				
Current Liabilities and Provisions				
(a) Liabilities	12	6,292,914		7,511,680
(b) Provisions	13	860,606		739,162
		7,153,520		8,250,842
Net Current Assets			12,755,596	9,198,064
(4) Deferred Revenue Expenditure (to the extent not written off or adjusted)				
	14		36,416	49,906
Total			35,331,846	31,898,552
Statement of Significant Accounting Policies adopted by the Company and Notes forming part of the Accounts				
	20			

As per our attached report of even date

For Dalal & Shah

Firm Registration No. 102021W

Chartered Accountants

Niraj Bajaj

Chairman & Managing Director

Rajesh V Shah

Co-Chairman & Managing Director

Suketu V Shah

Joint Managing Director

Ashish Dalal

Partner : Membership No. : 033596

Mumbai : May 26, 2010

K J Mallya

Company Secretary

Mumbai, May 26, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	2009-10 Rs.'000	2008-09 Rs.'000
INCOME			
Sales, Services and Other Income	15		
Gross Sales and Services		21,228,763	21,502,179
Less : Excise Duty recovered		<u>1,599,343</u>	<u>2,313,276</u>
Net Sales and Services		19,629,420	19,188,903
Other Income		312,215	295,027
		<u>19,941,635</u>	<u>19,483,930</u>
EXPENDITURE			
Raw Materials Consumed	16	8,420,088	10,247,292
Operating and Other Expenses	17	9,310,668	8,847,215
Variation in Opening and Closing Stocks	18	(1,009,899)	361,110
Purchase of Goods for Trade (including semi-finished)		447,919	251,919
Finance and Lease Charges	19	1,522,537	1,352,346
Depreciation		<u>632,347</u>	<u>578,419</u>
		19,323,660	21,638,301
Less :Expenditure transferred to Capital Accounts/ Capital Work-in-Progress		<u>(10,645)</u>	<u>(109,847)</u>
		<u>19,313,015</u>	<u>21,528,454</u>
		628,620	(2,044,524)
Add / (Less) :			
Exceptional Items (net) [Refer Note B(16)]		<u>(8,602)</u>	<u>(414,815)</u>
Profit/(Loss) before tax		620,018	(2,459,339)
(Less): Provision for taxation :			
Fringe Benefit Tax		—	(8,000)
Wealth Tax		(625)	(650)
Current Tax (MAT under Section 115 JB of the Income-tax Act, 1961)		(105,801)	—
Deferred Tax (Charge)/Credit		—	594,622
MAT Credit Entitlement		<u>105,801</u>	<u>—</u>
		<u>(625)</u>	<u>585,972</u>
Profit/(Loss) after tax		619,393	(1,873,367)
Add/(Less):			
Prior Period Adjustments (net) [Refer Note B(17)]		(641)	(14,672)
Excess/(Short) provision for tax		1,174	956
		<u>619,926</u>	<u>(1,887,083)</u>
Balance brought forward from previous year		—	1,230,383
Balance available for Appropriations		619,926	(656,700)
Appropriations :			
Transferred from Debenture Redemption Reserve		125,000	62,500
Transferred to Debenture Redemption Reserve		(58,750)	—
Proposed Preference Dividend		(6)	(6)
Proposed Equity Dividend		(73,114)	—
Tax on Preference / Equity Dividend		(12,427)	(1)
Transfer to / from General Reserve		<u>(300,000)</u>	<u>594,207</u>
		<u>(319,297)</u>	<u>656,700</u>
Balance carried to the Balance Sheet		<u>300,629</u>	<u>—</u>
Weighted average number of Equity Shares outstanding during the year		73,114,129	73,114,129
Basic and diluted earnings per share including Exceptional Items (in Rs.)		8.48	(25.81)
Basic and diluted earnings per share excluding Exceptional Items (net of tax) (in Rs.)		8.60	(20.14)
Nominal value of share (in Rs.)		10.00	10.00
Statement of Significant Accounting Policies adopted by the Company and Notes forming part of the Accounts	20		

As per our attached report of even date

For Dalal & Shah

Firm Registration No. 102021W
Chartered Accountants

Niraj Bajaj

Chairman & Managing Director

Rajesh V Shah

Co-Chairman & Managing Director

Suketu V Shah

Joint Managing Director

Ashish Dalal

Partner : Membership No. : 033596

Mumbai : May 26, 2010

K J Mallya

Company Secretary
Mumbai, May 26, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	2009-10	2009-10	2009-10	2008-09	2008-09	Rs.'000 2008-09
A. Cash Flow arising from Operating Activities						
Profit/(Loss) before tax and exceptional items			628,620			(2,044,524)
Add back :						
(1) Depreciation		632,347			578,419	
(2) Other Non-cash Expenditure/(Income)-(net)		(20,871)			410	
(3) Interest / Lease Charges (net)		<u>1,446,845</u>			<u>1,266,150</u>	
			<u>2,058,321</u>			<u>1,844,979</u>
			<u>2,686,941</u>			<u>(199,545)</u>
Deduct :						
(1) Investment Income		34,327			1,252	
(2) Surplus/(Loss) on sale of assets -(net)		<u>1,818</u>			<u>(16)</u>	
			<u>36,145</u>			<u>1,236</u>
Operating Profit before Working Capital changes			<u>2,650,796</u>			<u>(200,781)</u>
Less : Working Capital Changes						
(1) Increase in Trade and Other Receivables	717,807			819,983		
(2) Increase in Inventories	1,484,213			—		
(3) Decrease in Trade Payables	<u>1,014,547</u>			—		
		<u>3,216,567</u>			<u>819,983</u>	
Less:						
(i) Decrease in Inventories	—			733,372		
(ii) Increase in Trade Payables	<u>—</u>			<u>1,295,721</u>		
					<u>2,029,093</u>	
Net Working Capital changes			<u>3,216,567</u>			<u>(1,209,110)</u>
Cash Flow from Operations			<u>(565,771)</u>			<u>1,008,329</u>
Less : Direct taxes paid			<u>137,949</u>			<u>91,790</u>
			<u>(703,720)</u>			<u>916,539</u>
Less : Prior period adjustments (Net)			<u>641</u>			<u>(180)</u>
Net Cash Inflow/(Outflow) from Operating Activities			<u>(704,361)</u>			<u>916,719</u>
B. Cash Flow arising from Investing Activities						
Inflow						
(1) Sale of Fixed Assets		9,965			12,602	
(2) Interest received on Loans to Subsidiaries and Other Companies		—			5,139	
(3) Dividends received		19,464			1,252	
(4) Decrease in Loans to Subsidiaries and Other Companies		30,000			227,461	
(5) Sale of Investments		<u>14,900</u>			<u>—</u>	
			<u>74,329</u>			<u>246,454</u>
Deduct Outflow						
(1) Acquisition of Fixed Assets		428,313			867,194	
(2) Acquisition of Investments (including application money)		13,009			64,313	
(3) Increase in Loans to Subsidiaries and Other Companies		<u>6,000</u>			<u>—</u>	
			<u>447,322</u>			<u>931,507</u>
Net Cash Inflow /(Outflow) from Investing Activities			<u>(372,993)</u>			<u>(685,053)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010 (Contd.)

	2009-10	2009-10	2009-10	2008-09	2008-09	2008-09
						Rs.'000
C. Cash Flow arising from Financing Activities						
Inflow						
(1) Increase in Debentures		—			300,000	
(2) Increase in Term Loans (net)		3,004,525			—	
(3) Increase in Working Capital Loans from Banks - (net)		—			1,696,597	
(4) Increase in Other Unsecured Loans (net)		<u>1,967,688</u>			<u>289,487</u>	
			4,972,213			2,286,084
Deduct Outflow						
(1) Redemption of Debentures		552,415			624,180	
(2) Decrease in Term Loans - (net)		—			534,459	
(3) Decreases in Working Capital Loans from Banks - (net)		1,331,407			—	
(4) Dividends paid		7			85,547	
(5) Interest / Lease charges - (net)		<u>1,760,217</u>			<u>1,506,309</u>	
			3,644,046			2,750,495
Net Cash Inflow/(Outflow) from Financing Activities			<u>1,328,167</u>			(464,411)
Net Increase / (Decrease) in Cash/Cash Equivalents			250,813			(232,745)
Add : Balance at the beginning of the year			<u>320,140</u>			552,885
Cash/Cash Equivalents at the close of the year			<u>570,953</u>			320,140

Note :

Cash/Cash Equivalents exclude balances with banks in Margin Money Accounts : 31.3.2010 - Rs. 447,306,136/-; 31.3.2009- Rs. 724,238,463/-; 31.3.2008 - Rs 839,305,099/-.

As per our attached report of even date

For Dalal & Shah

Firm Registration No. 102021W

Chartered Accountants

Niraj Bajaj

Chairman & Managing Director

Rajesh V Shah

Co-Chairman & Managing Director

Suketu V Shah

Joint Managing Director

Ashish Dalal

Partner : Membership No. : 033596

Mumbai : May 26, 2010

K J Mallya

Company Secretary
Mumbai, May 26, 2010

SCHEDULES TO THE ACCOUNTS

Schedules '1' to '20' annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended 31st March, 2010

	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000
1. SHARE CAPITAL		
Authorised :		
7,000,000 Preference Shares of Rs.10/- each	70,000	70,000
118,000,000 Equity Shares of Rs.10/- each	1,180,000	1,180,000
	1,250,000	1,250,000
Issued :		
5,626,320 0.01% Cumulative Redeemable Preference Shares of Rs. 10/- each.	56,263	56,263
73,159,805* Equity Shares of Rs.10/- each	731,599	731,599
	787,862	787,862
Subscribed :		
5,626,320 0.01% Cumulative Redeemable Preference Shares of Rs. 10/- each, fully paid up	56,263	56,263
73,114,129 Equity Shares of Rs.10/- each, fully paid up	731,141	731,141
Add : Forfeited Shares, amounts originally paid up	116	116
	731,257	731,257
	787,520	787,520
* Includes 28,031 Equity Shares which have been kept in abeyance by the Stock Exchange Authorities.		
2. RESERVES AND SURPLUS		
Capital Reserve:		
As per last Account	47	47
Securities Premium Account:		
As per last Account	2,255,468	2,255,468
Debenture Redemption Reserve:		
As per last Account	228,450	290,950
Add / (Less):		
- Transferred to Profit and Loss Account	(125,000)	(62,500)
- Set aside during the year	58,750	—
	162,200	228,450
Capital Redemption Reserve:		
As per last Account	30,000	30,000
Revaluation Reserve:		
As per last Account	13,389,984	1,266,293
Add: Additions on revaluation [Refer Note B(3)(III)]	—	12,123,691
	13,389,984	13,389,984
General Reserve:		
As per last Account	1,286,464	1,880,671
Add / (Less):		
- Transferred to Profit and Loss Account for adjustment and for Preference Dividend and tax thereon	—	(594,207)
- Set aside during the year	300,000	—
	1,586,464	1,286,464
Surplus as per annexed Profit and Loss Account	300,629	—
	17,724,792	17,190,413
3. SECURED LOANS [Refer Note B (2)(II)]		
a) Debentures	607,480	1,159,895
b) Long Term Loans in Indian Rupees from : #		
- Financial Institutions	2,379,467	2,472,891
- Banks	6,538,803	3,674,623
- Companies	303,833	340,890
- Housing Development Finance Corporation Ltd.	375,000	250,000
	9,597,103	6,738,404
c) Interest Accrued and due	—	43,650
d) Working Capital Loans from Banks	3,125,232	4,456,639
	13,329,815	12,398,588
# includes funded interest term loans in respective categories		

SCHEDULES TO THE ACCOUNTS (Contd.)

	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000
4. UNSECURED LOANS		
Fixed Deposits [Refer Note B(2)(III)]	1,421,436	818,148
Short Term Loans from Companies	2,045,100	680,700
Sales Tax Deferment Loan	23,183	23,183
	3,489,719	1,522,031

5. FIXED ASSETS [Refer Note B(3)]

(a) Assets

Rs.'000

	GROSS BLOCK (At Cost / Book Value)					DEPRECIATION				NET BLOCK		
	As at 1st April, 2009	Additions/ Adjustments	Deductions/ Adjustments	Adjustments/ Additions/ (Deductions) to Revalued Assets	As at 31st March, 2010	As at 1st April, 2009	For the year	Recouped during the year	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009	
Freehold Land @	13,432,107	13,274	---	---	13,445,381	---	---	---	---	13,445,381	13,432,107	
Leasehold Land	167,994	19,570	3,530*	---	184,034	---	---	---	---	184,034	167,994	
Railway Siding	130,418	14	---	---	130,432	6,724	6,196	---	12,920	117,512	123,694	
Buildings and Roads	1,448,444	29,352	---	---	1,477,796	464,777	42,077	---	506,854	970,942	983,667	
Plant and Machinery	9,515,945	1,952,116	34,386	---	11,433,675	5,434,525	567,987	24,264	5,978,248	5,455,427	4,081,420	
Intangible Assets- Software	---	9,227	---	---	9,227	---	1,576	---	1,576	7,651	---	
Furniture, Fixtures, etc.	115,073	3,341	2,158	---	116,256	61,601	5,508	1,840	65,269	50,987	53,472	
Vehicles	99,556	1,116	14,434	---	86,238	58,448	9,003	9,142	58,309	27,929	41,108	
Total	24,909,537	2,028,010	54,508	---	26,883,039	6,026,075	632,347	35,246	6,623,176	20,259,863	18,883,462	
Previous year's Total	12,119,065	739,234	72,453	12,123,691	24,909,537	5,490,303	578,419	42,647	6,026,075	18,883,462		
(b) Capital Work-in-Progress, expenditure to date										1,218,209	2,717,728	
@ Registration pending for part of land acquired for Coke Oven Project at Ginigera, Karnataka												
* Represents amount written off on account of amortisation of Leasehold Land Rs. 3,114,748/- and refund received from Lessor Rs. 415,700/-										21,478,072	21,601,190	

6. INVESTMENTS, At Cost / Book Value

31st March,
2010
Rs.'000

31st March,
2009
Rs.'000

I. Long Term Investments :

A. In Subsidiary Companies (Unquoted) :

	(i) Mukand Global Finance Ltd.		
11,749,500	Equity Shares of Rs.10/-each, fully paid up [Refer Note B(6)(d)]	262,495	262,495
600,000	(ii) Mukand International Ltd. Ordinary Shares of Stg. Pound 1/-each, fully paid up	29,956	29,956
11,976,762	(iii) Vidyavihar Containers Ltd. Equity Shares of Rs.100/-each, fully paid up [Refer Note B (6)(b)]	616,300	616,300
	Less : Provision for diminution in the value of investments	184,890	184,890
		431,410	431,410
70,000	(iv) Mukand Vijayanagar Steel Ltd. Equity Shares of Rs.10/-each, fully paid up	702	702
	Less : Provision for diminution in the value of investments	702	100
		---	602
	Carried Over Total (A)	723,861	724,463

SCHEDULES TO THE ACCOUNTS (Contd.)

6. INVESTMENTS, At Cost / Book Value (Contd.)	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000
Brought Over Total (A)	723,861	724,463
B. Trade (Quoted) :		
(i) Orissa Sponge Iron Ltd. 11,660 Equity Shares of Rs.10/-each, fully paid up (Excludes 105 bonus equity shares received in excess in an earlier year)	106	106
C. Trade (Unquoted) :		
(i) Metal Scrap Trade Corporation Ltd. 7,450 Equity Shares of Rs. 10/-each, fully paid up (14,900)	37	74
(ii) Hospet Steels Ltd. 70,000 Equity Shares of Rs. 10/-each, fully paid up	700	700
(iii) Mukand Bekaert Wire Industries Pvt. Ltd. (A Joint Venture Company) 13,000,000 Equity Shares of Rs. 10/-each, fully paid up (11,000,000)	130,000	110,000
(iv) Mukand Vini Mineral Pvt. Ltd. (A Joint Venture Company) 667,765 Equity Shares of Rs. 10/-each, fully paid up (561,315)	<u>6,678</u>	<u>5,613</u>
	137,415	116,387
D. Other than trade (Quoted) :		
(i) Mukand Engineers Ltd. 4,539,781 Equity Shares of Rs.10/-each, fully paid up	197,806	197,806
E. Other than trade (Unquoted) :		
(i) Stainless India Ltd. 6,097,200 Equity Shares of Rs.10/-each, fully paid up [Refer Note B 6(c)]	130,916	130,916
Less: Provision for diminution in the value of investments	<u>(130,916)</u>	<u>(130,916)</u>
(ii) Lazard Creditcapital Ltd. 100 Equity Share of Rs.10/-each, fully paid up	1	1
(iii) Bombay Forgings Ltd. 28,800 Equity Shares of Rs.66.67 each fully paid up [Refer Note B(6)(a)]	1,929	1,929
(iv) Pradip Realtors Pvt. Ltd. 12 Equity Shares of Rs.10/-each, fully paid up (Rs.120/-); [Previous year (Rs.120/-)]		
(v) The Greater Bombay Co-operative Bank Ltd. 10 Equity Shares of Rs.25/-each, fully paid up (Rs. 250/-) [Previous year (Rs. 250/-)]	<u>—</u>	<u>—</u>
	1,930	1,930
	<u>1,061,118</u>	<u>1,040,692</u>
II. Share Application Money:		
Mukand Vini Mineral Pvt. Ltd (A Joint Venture Company)	644	—
Mukand Bekaert Wire Industries Pvt. Ltd. [A Joint Venture Company]	<u>—</u>	<u>8,700</u>
	644	8,700
	<u>1,061,762</u>	<u>1,049,392</u>

Notes :

- (i) All the Investments at I above have been classified by the Company as " Long Term Investments" in view of its intention to hold the same on a long term basis.
- (ii) Figures shown in brackets relate to the previous year.

	Book Value as at		Market Value as at	
	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000
Quoted Investments	197,912	197,912	251,924	50,832
Unquoted Investments	<u>863,206</u>	<u>842,780</u>		
	<u>1,061,118</u>	<u>1,040,692</u>		

SCHEDULES TO THE ACCOUNTS (Contd.)

CURRENT ASSETS, LOANS AND ADVANCES [Refer Note B(4)]

	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000
7. INVENTORIES [Refer Policy A(5)]		
Stores, Spares, Fuel, Components and Engineering Construction Materials	389,027	367,296
Loose Tools	1,236	1,652
Stock-in-trade :		
Raw Materials	566,940	706,380
Work-in-Process	2,461,057	1,815,582
Finished Goods	1,984,515	1,492,683
Goods for Trade:		
- Finished Goods	—	4,737
Accumulated Contract Costs / Incomplete Contract Work [Refer Policy A(7)(vi)]	1,477,079	1,535,558
Materials-in-transit	831,782	303,535
	7,711,636	6,227,423
8. SUNDRY DEBTORS, Unsecured		
Over six months :		
Considered good	3,562,823	2,468,816
Considered doubtful	146,208	174,117
Less : Provision	(146,208)	(174,117)
	—	—
	3,562,823	2,468,816
Others :		
Considered good	3,876,151	3,946,063
	7,438,974	6,414,879
9. CASH AND BANK BALANCES		
Cash on hand (including cheques on hand Rs. 119,676,737/-; Previous year Rs. 33,083,323/- and stamp papers on hand Rs. 2,925,850/-; Previous Year Rs. Nil)	123,815	33,834
Balances with Scheduled Banks :		
(i) In Current Accounts	318,055	63,437
(ii) In Margin Money Accounts	447,306	724,238
(iii) In Deposit Accounts	1,300	13,050
	766,661	800,725
Remittances-in-Transit	127,783	209,819
	1,018,259	1,044,378
10. OTHER CURRENT ASSETS		
Export Incentives receivable	14,471	23,003
Interest receivable [Refer Note B (6)]	18,506	21,668
Considered Doubtful	274,523	274,523
Less : Provision	(274,523)	(274,523)
	—	—
	18,506	21,668
Facilities at Customer's Site		
Opening Balance (at Direct costs, less amounts written off)	—	1,671
Add : Additions during the year	1,039	1,675
	1,039	3,346
Less : Proportionate cost of facilities written off	1,039	3,346
	—	—
	32,977	44,671
11. LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified		
Loans to Subsidiaries :		
Mukand Global Finance Ltd. [Refer Note B (6)(d)]	6,000	—
Vidyavihar Containers Ltd. [Refer Note B (6)(b)]	674,969	704,969
Mukand Vijayanagar Steel Ltd.	—	100
Other Loans and Advances [Refer Note B (6)(c)]	6,802	2,650
Advances recoverable in cash or in kind or for value to be received [Refer Note B (6)(c)]	1,819,754	1,965,307
Considered doubtful	202,921	202,254
Less : Provision	(202,921)	(202,254)
	—	—
	1,819,754	1,965,307
Carried Over Total	2,507,525	2,673,026

SCHEDULES TO THE ACCOUNTS (Contd.)

	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000
11. LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified (Contd.)		
Brought Over Total	2,507,525	2,673,026
Advance payment of Income-tax	577,599	617,602
MAT Entitlement Credit	485,294	321,888
Balances, etc. with —		
Port Trust, Central Excise, etc.	5,565	5,574
Others \$	131,287	99,465
	136,852	105,039
	3,707,270	3,717,555
\$ Includes National Savings Certificates of the cost of Rs 59,000/-. (Previous year Rs. 163,000/-) deposited with government departments.		
CURRENT LIABILITIES AND PROVISIONS		
12. LIABILITIES		
Acceptances	2,873,597	2,966,088
Sundry Creditors [Refer Note B(7)]	2,530,802	3,381,815
Due to Subsidiary Companies	2,881	238,094
Advances against Orders and Engineering Contracts	796,423	742,454
Interest accrued but not due on Debentures and Loans	79,901	176,878
Due to Employees' Provident Fund (since paid)	9,310	6,351
	6,292,914	7,511,680
13. PROVISIONS		
for Taxation	404,718	419,813
for Premium on Redemption of Debentures	375	375
for Employee Benefits	252,407	235,218
for Excise Duty on Finished Goods Stock	112,351	75,598
for Equity / Preference Dividends & tax thereon	85,547	7
for Warranty Costs	5,208	8,151
	860,606	739,162
14. DEFERRED REVENUE EXPENDITURE (to the extent not written off or adjusted)		
Interest and lease compensation during installation of leased assets	36,416	49,739
Front-end fees	—	167
	36,416	49,906
	2009-10	2008-09
	Rs.'000	Rs.'000
15. SALES, SERVICES AND OTHER INCOME		
i) Sales and Services		
a) Gross Sales [Refer Note B(12)(a) (i) to (iii)]	19,979,139	20,355,352
Less: Excise Duty recovered	1,516,655	2,221,368
Net Sales	18,462,484	18,133,984
b) Income from Engineering Contracts and Job Work [Refer Note B(12)(b) and (c)]	1,248,260	1,145,290
Less: Excise Duty recovered	82,688	91,908
Net Income from Engineering Contracts and Job Work	1,165,572	1,053,382
c) Income from Services rendered	1,364	1,537
Total Sales and Services	19,629,420	19,188,903
ii) Other Income		
a) Sale of Scrap and Sundries	59,211	47,244
b) Sales-tax/VAT Refunds	6,945	—
c) Gain on variation in foreign exchange rates (Net)	6,520	—
d) Interest Received		
- From Banks	30,244	65,266
- From Others	45,448	20,930
	75,692	86,196
e) Insurance Claims etc.	9,370	16,414
f) Credit balances appropriated	43,319	2,412

SCHEDULES TO THE ACCOUNTS (Contd.)

15. SALES, SERVICES AND OTHER INCOME (Contd.)	2009-10 Rs.'000	2008-09 Rs.'000
g) Other Miscellaneous receipts	39,146	94,202
h) Excess provisions written back (net)	27,170	29,184
i) Surplus on sale of investments	14,863	—
j) Surplus on account of sale of Assets	4,626	3,347
k) Rent received	5,889	14,776
l) Dividends (Gross) :		
from Subsidiary	18,169	—
from Trade Investments	1,155	1,252
from Mutual Fund Investments	140	—
	19,464	1,252
Total Other Income	312,215	295,027
	19,941,635	19,483,930
16. RAW MATERIALS CONSUMED		
Opening Stocks	706,380	895,249
Add : Purchases	8,495,719	10,074,801
Less : Sales / Materials given on loan	215,071	16,378
	8,987,028	10,953,672
Less : Closing Stocks	566,940	706,380
	8,420,088	10,247,292
17. OPERATING AND OTHER EXPENSES		
Employees' Remuneration, Benefits and Other Payments :		
Salaries, Wages, Bonus, Compensation and Other Payments	751,416	707,875
Contribution towards Employees' State Insurance, Provident and Other Funds	111,959	84,070
Welfare Expenses	99,138	82,177
	962,513	874,122
Manufacturing, Administrative and Selling Expenses :		
Stores, Spares, Components, Tools, etc. consumed (a)	3,356,374	3,121,660
Contract execution costs	371,673	664,389
Power and Fuel consumed	1,513,497	1,374,046
Machining and Processing charges	1,370,366	1,120,263
Sub-contracting expenses	222,426	213,493
Other Manufacturing expenses	93,553	104,056
Rent (net)	9,584	8,426
Hire charges	26,307	12,268
Rates and Taxes	23,732	23,966
Insurance (net)	18,683	16,433
Advertisements	240	455
Repairs:		
to Buildings	26,679	14,767
to Plant and Machinery (b)	44,613	44,968
to Other assets	17,301	20,677
	88,593	80,412
Commission	28,736	38,770
Freight, Forwarding and Warehousing (net)	772,467	492,213
Directors' Fees and Travelling Expenses	992	940
Bad Debts, debit balances and claims written off	58,460	85,314
Less : Doubtful debts provided in earlier years	27,909	83,661
	30,551	1,653
Provision for doubtful debts / advances	667	—
Proportionate cost of facilities written off	1,039	3,346
Loss on assets discarded	1,763	2,067
Loss on assets sold	1,045	1,296
Loss on variation in foreign exchange rates (Net)	—	215,732
Miscellaneous Expenses (c)	289,347	316,358
	8,221,635	7,812,242
Bank Charges	123,405	158,515
Amortization of Leasehold Land	3,115	2,336
	9,310,668	8,847,215

(a) After adjusting sales/material on loan Rs. 9,838,511/- (Previous year Rs. 20,362,029/-).

(b) Excludes spares consumed for repairs.

(c) Includes non-recoverable excise duty Rs. 63,871/- and sales tax Rs.3,376,622/- on sales (Previous year Rs. 61,934/- and Rs. 7,946,633/- respectively).

SCHEDULES TO THE ACCOUNTS (Contd.)

18. VARIATION IN OPENING AND CLOSING STOCKS	2009-10 Rs.'000	2008-09 Rs.'000
Opening Stocks :		
Work-in-Process	1,815,582	1,688,200
Finished Goods	1,492,683	2,114,390
Goods For Trade:		
- Finished Goods	4,737	31,286
Accumulated Contract Costs / Incomplete Contract Work	<u>1,535,558</u>	<u>1,492,871</u>
	4,848,560	5,326,747
Closing Stocks :		
Work-in-Process	2,461,057	1,815,582
Finished Goods	1,984,515	1,492,683
Goods For Trade:		
- Finished Goods	—	4,737
Accumulated Contract Costs / Incomplete Contract Work	<u>1,477,079</u>	<u>1,535,558</u>
	5,922,651	4,848,560
	<u>(1,074,091)</u>	<u>478,187</u>
Variation in Excise Duty on Opening & Closing Stocks of Finished Goods	64,192	(117,077)
(Increase)/Decrease in Stocks	<u>(1,009,899)</u>	<u>361,110</u>
19. FINANCE AND LEASE CHARGES		
[Refer Note B (2)(C)]		
Interest on Debentures	89,424	154,874
Interest on Fixed Loans	1,282,927	1,017,599
Interest to Banks and Others	<u>720,003</u>	<u>731,760</u>
	2,092,354	1,904,233
Less :		
Interest Capitalised	101,217	170,285
Interest Income from trade dues (Gross) \$	<u>572,885</u>	<u>488,846</u>
	674,102	659,131
	<u>1,418,252</u>	<u>1,245,102</u>
Finance Management Charges #	29,971	39,960
Lease Rentals	<u>74,314</u>	<u>67,284</u>
	1,522,537	1,352,346
\$ Tax deducted at source on Interest Income is Rs. 65,966,145/- (Previous year Rs. 19,673,740/-)		
# Proportionate front end fee written off Rs. 166,666/- (Previous year Rs. 8,432,871/-)		

NOTES FORMING PART OF THE ACCOUNTS

20. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY AND NOTES FORMING PART OF THE ACCOUNTS.

A. Statement of significant Accounting Policies :

1. Basis of Accounting :

The Financial Statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles, the applicable mandatory Accounting Standards and the relevant provisions of the Companies Act, 1956.

2. Fixed Assets:

(a) Gross Block:

- (i) All fixed assets except leasehold land are stated at cost. However, fixed assets, which are revalued by the Company, are stated at their revalued book values.
- (ii) Leasehold Land is stated net of amounts written off on amortisation.

(b) Depreciation/ Amortisation:

- (i) The Company provides depreciation on all its assets on the "Straight Line Method" in accordance with the provisions of Section 205 (2)(b) of the Companies Act, 1956.
- (ii) Depreciation on Buildings and Furniture & Fixtures acquired upto 31st March, 1987 is provided at the rates of depreciation prevalent at the time of acquisition of the assets in accordance with Circular No.1 of 1986 [1/1/86-CL-V] dated 21.5.1986 issued by the Company Law Board.
- (iii) Depreciation on addition to assets referred to in (ii) above, acquired on or after 1st April, 1987 is provided at the Straight Line Method rates specified from time to time in Schedule XIV to the Companies Act, 1956.
- (iv) Depreciation on assets under Plant & Machinery group in Schedule XIV to the Companies Act, 1956, is provided over the recomputed "Specified Period", at the rates given in the said Schedule from time to time, in accordance with Circular 14/93 dated 20th December, 1993, issued by the Department of Company Affairs.
- (v) Cost of software acquired is amortised over a period of 3 years.
- (vi) Depreciation in respect of assets used for long term engineering contracts is provided on the estimated useful life of the assets.
- (vii) Depreciation on addition to assets or on sale / discardment of assets is calculated pro-rata from the month of such addition or upto the month of such sale / discardment, as the case may be.
- (viii) Cost of Leasehold land is amortized over the period of lease.

3. Technical know-how:

Cost of technical know-how capitalised is amortised over the period of agreement or six years whichever is lower.

4. Investments:

Long term Investments are stated at cost of acquisition or book value; book value being arrived at after adjusting provisions for diminution in values of each investment individually, provided, such diminution is not temporary. While disposing of a part of the holding of an individual investment the carrying amount allocated to that part is determined on the basis of average carrying amount of the total marketable holding of the investment. Current investments are stated at lower of cost of acquisition and fair value.

5. Inventories:

Finished goods (including for trade), work-in-process, semi-finished goods for trade, Raw materials, Stores, Spares, Fuel, Components, and Loose Tools are valued at cost or net realizable value whichever is lower. Materials-in-transit are valued at cost-to-date. Construction materials are valued at cost less amount written off over its estimated useful life. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition including excise duty payable on goods produced. Due allowance is estimated and made for defective and obsolete items, wherever necessary, based on the past experience of the Company. The cost formulae used for determination of cost are either 'First in First Out' or 'Average Cost', as applicable.

6. Foreign currency translations :

- (i) All transactions in foreign currency, are recorded at the rates of exchange prevailing as at the date of the transaction.
- (ii) Monetary assets and liabilities in foreign currency, outstanding at the close of the year, are converted in Indian currency at the appropriate rates of exchange prevailing at the close of the year. The resultant gain or loss is accounted for during the year.
- (iii) In respect of forward exchange contracts entered into towards hedge of foreign currency risks, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expenditure over the life of the contract. Further, the exchange differences arising on such contracts are recognised as income or expenditure along with the exchange differences on the underlying assets/liabilities. Profit or Loss on cancellations/renewals of forward contracts is accounted for during the year.

7. Recognition of Income and Expenditure:

- (i) Revenues/incomes and costs/expenditure are generally accounted on accrual as they are earned or incurred.
- (ii) Sale of Goods is recognised on transfer of significant risks and rewards of ownership which is generally on the dispatch of goods. Export Sales are accounted for on the basis of dates of "On Board Bill of Lading".
- (iii) Liability for Excise Duty and Customs Duty payable on goods held in bond at the year end is provided for.

NOTES (Contd.)

- (iv) Project Development expenses pending adjustment / recoverable:
Expenditure incurred during developmental and preliminary stages of the Company's new projects, are carried forward. However, if any project is abandoned, the expenditure relevant to such project is written off through the natural heads of expenses in the year in which it is decided to be abandoned.
- (v) Benefit on account of entitlement to import duty-free materials under the Advance Licence and Duty Entitlement Pass-Book Scheme, is estimated and accounted in the year of export.
- (vi) Accounting for Long Term Engineering Contracts:
- (a) Revenue for engineering contract work executed (including supplies & services) is recognised on the basis of percentage completion method and only after the work has progressed to the extent of 10% in each composite contract. Till such time, all the costs are carried forward to the next accounting year as "Accumulated Contract Costs" under "Inventories". Recognition of revenue is matched with expenses incurred (on accrual basis) after considering the contract value with associated costs. Costs and Revenue are both recognised upto 90% and debtors are reflected accordingly. Balance is recognised only upon the Preliminary/Final acceptance of job by the client. Periodic advances received from customers are not considered as income.
 - (b) Income which arises out of invoicing of contract work and the contract costs which are accounted on accrual basis, are, both, credited to income or charged to revenue, as the case may be, only after atleast 10% of the total estimated contract costs (i.e. direct and indirect costs) are incurred (on accrual basis). Till such time, all the costs are carried forward to the next accounting year as "Accumulated Contract Costs" under "Inventories" and recognition of revenue is correspondingly postponed. Direct costs include all expenses specifically attributable to the contract. Variation in estimates of contract costs are updated each year by technical certification.
 - (c) "Accumulated Contract Costs", after the stage when they are not any further to be carried forward in terms of (b) above, are charged to revenue to the extent not specifically attributable to the contract and balance is transferred to "Incomplete Contract Work" under "Inventories".
 - (d) Variations by way of escalation in price and quantum of work is recognised as revenue in the year in which claims are lodged as per the terms of contract. Other claims are recognised as revenue only upon final acceptance by the customer.
 - (e) All facilities in the nature of assets created at the customers' site and which are to be abandoned at the end of the contract, are, when under construction, carried forward at Direct cost to-date as "Facilities at Customer's site - Under Construction". Upon subsequent completion, they are carried forward as "Facilities at Customer's site-Completed"(both being grouped as "Other Current Assets"). The completed facilities are written off in equal annual instalments over the period commencing from the year of completion of the facility upto the contracted year for completion of the contract. Billable reimbursements against such facilities, if separately identified in a contract, are similarly credited in equal annual instalments against the write-off over the said period.
 - (f) The contracted claims for liquidated damages, arising out of defaults attributable to the Company are accounted in the year claims are accepted.
- (vii) (a) Rent payable for premises taken on lease is charged to revenue .
(b) In respect of Other Assets taken on Lease upto 31-3-2001:
 - (i) Interest and other charges are deferred over the "specified period" of the assets or the term of lease, whichever is shorter.
 - (ii) Lease rentals are charged over the "specified period" of the assets or the term of lease, whichever is shorter.
The "specified period" is worked out at the rates of depreciation on the Straight Line Method in Schedule XIV to the Companies Act, 1956, and it commences from the year in which the asset is installed.
- (c) Transactions relating to Other Assets taken on lease on or after 1.4.2001 are accounted as per Accounting Standard 19 (AS-19) on Leases.
(d) Assets taken on operating lease are those where a significant portion of the risks and rewards of ownership is retained by the lessors. Lease rentals are charged to revenue on accrual basis.
- (viii) Share and Debenture issue expenses and Premium on Redemption of Debentures are charged to the Profit and Loss Account. An equivalent amount (net of tax) is withdrawn from the available balance in Securities Premium Account and credited to the Profit and Loss Account.
- (ix) Front-end fees paid on borrowings are amortised over the period of loans/debentures or over a period of three years whichever is shorter.

8. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known.

9. Research and Development Expenditure:

Revenue expenditure, including overheads on Research and Development, is charged out as expenditure through the natural heads of expenses in the year in which it is incurred. Expenditure which results in the creation of capital assets is taken to fixed assets and depreciation is provided, as applicable.

10. Employee Benefits :

(a) Short Term Employee Benefits

- (i) Short term employee benefits are recognised as expenditure at the undiscounted value in the Profit and Loss Account of the year in which the related service is rendered.

NOTES (Contd.)

(b) Post Employment Benefits

(i) Defined Contribution Plans :

Company's contribution to the superannuation scheme, pension under Employees' Pension Scheme, 1995 etc. are recognised during the year in which the related service is rendered.

(ii) Defined Benefit Plans :

Gratuity :

Gratuity liability is covered under the Gratuity-cum-Insurance Policy of Life Insurance Corporation of India (LIC) by Mukand Employees' Gratuity Fund. The present value of the obligation is determined based on an actuarial valuation, using the Projected Unit Credit Method. Actuarial gains and losses arising on such valuation are recognised immediately in the Profit and Loss Account. The amount funded by the Trust administered by the Company under the aforesaid Policy, is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on a net basis.

Provident Fund :

Monthly contributions are made to a Trust administered by the Company. The interest rate payable by the Trust to the beneficiaries is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on investments of the Trust and the notified interest rate.

(c) Long term compensated absences are provided on the basis of actuarial valuation.

(d) Termination Benefits :

Termination Benefits are charged to Profit and Loss Account in the year of accrual.

11. Expenditure during Construction:

(a) New Projects :

In case of new projects and substantial modernisation / expansion at existing units of the Company, all pre-operating expenditure, initial spares acquired with machineries, interest on specific borrowings for the purpose, interest on general (interest bearing) funds of the Company whenever utilised for such expenditure and costs incurred for raising borrowings specifically for the purpose, are capitalised pro-rata to the cost of qualifying fixed assets upto the date of installation.

(b) Other Major Fixed Assets:

In case of acquisition/construction of major fixed assets, initial spares acquired with the assets, interest on specific borrowings for the purpose, are capitalised pro-rata to the cost of qualifying fixed assets upto the date of acquisition / installation.

12. Accounting for taxes on Income:

Current tax is determined as an amount of tax payable in respect of taxable income for the year. Minimum Alternate Tax (MAT) eligible for set-off in subsequent years (as per tax laws), is recognized as an asset by way of credit to the Profit and Loss Account only if there is convincing evidence of its realization. At each Balance Sheet date, the carrying amount of MAT Credit Entitlement receivable is reviewed to reassess realization. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets arising due to timing differences, being the difference between taxable income and accounting income which originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws, are recognized, only if there is a virtual certainty of its realisation, supported by convincing evidence. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed, to reassess realisation.

13. Impairment of Assets :

The Carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/ external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

14. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Financial Statements. Contingent Assets are neither recognised nor disclosed in the Financial Statements.

B. Notes forming part of the Accounts:

1. Share Capital

(a) Share Capital includes:

- (i) 359,400 Equity Shares issued to Vendors as fully paid up for consideration other than cash, pursuant to a contract.
- (ii) 611,667 Equity Shares [including 293,510 issued to Vendors in (i) above] issued as fully paid up for consideration other than cash on account of conversion of Deferred Shares into Equity Shares.
- (iii) 10,538,644 Equity Shares issued as fully paid up Bonus shares by capitalising Securities Premium Account and Reserves.
- (iv) 1,750,000 Equity Shares issued on 1st July, 1983 as fully paid up on conversion of the convertible portion of Convertible Debentures.
- (v) 23,759 Equity Shares issued on 1st March, 1993 as fully paid up, at par, to the shareholders of Beco Engineering Company Ltd., pursuant to a scheme of merger.

NOTES (Contd.)

- (b) The 0.01% Cumulative Redeemable Preference Shares are redeemable in five equal annual installments commencing from September, 2019.

2. Loan Funds

(I) Secured Loans

(A) Nature of Security

(i) Debentures [included in Schedule 3(a)]

800,000, 10.50% (2006-18) Mortgage Debentures, 2,500,000, 10.5% (2006-18) Mortgage Debentures, 2,500,000, 10.5% (2006-18) Mortgage Debentures, 50 Floating Rate (2007-11) Mortgage Debentures are secured by way of first pari-passu charge against mortgage of Company's freehold land, immovable assets and movable assets both present and future of the Company at Kalwe and Dighe, Dist. Thane, in the State of Maharashtra and leasehold land, immovable assets and movable assets both present and future of the Company at Ginigera/Kankapura, Dist. Ginigera in the State of Karnataka and such mortgage and charge shall rank pari-passu with the existing mortgages and charges created in favour of financial institutions, banks and a company for their loans subject to the prior charge of the Company's bankers on stocks (excluding machinery spares) and book debts for working capital facilities referred at (iii) below.

(ii) Loans [included in Schedule 3(b)]

- (a) Loans from Financial Institutions, Banks and a Company are secured / to be secured by way of first pari-passu charge against mortgage of Company's freehold land, immovable assets and movable assets both present and future of the Company at Kalwe and Dighe, Dist. Thane, in the State of Maharashtra and leasehold land, immovable assets and movable assets both present and future of the Company at Ginigera/Kankapura, Dist. Ginigera in the State of Karnataka and such mortgage and charge shall rank pari-passu with the existing mortgages and charges created in favour of financial institutions, banks and a company for their loans and in favour of Trustees for the series of Debentures at (i) above except loans at (ii)(c) to (ii)(g) and working capital facilities from banks at (iii) below, subject to the prior charge (except for a term loan from a Bank) of the Company's bankers on stocks (excluding machinery spares) and book debts.
- (b) Priority Loan of Rs.1,500,000,000/- (balance outstanding as at 31.3.2010 –original loan was for Rs.3,000,000,000/-) from ICICI Bank Ltd. is secured by way of first pari-passu charge against mortgage of Company's freehold land, immovable assets and movable assets both present and future of the Company at Kalwe and Dighe, Dist. Thane, in the State of Maharashtra and leasehold land, immovable assets and movable assets both present and future of the Company at Ginigera/Kankapura, Dist. Ginigera in the State of Karnataka and such mortgage and charge shall rank pari-passu with the existing mortgages and charges created in favour of financial institutions, banks and a company for their loans and in favour of trustees for series of debentures at (i) above, except loans at (ii)(c) to (ii)(g) and working capital facilities from banks at (iii) below, subject to the prior charge of the Company's bankers on stocks (excluding machinery spares) and book debts.
- (c) Loan of Rs.375,000,002/- from HDFC Ltd. is to be secured against mortgage of 10 acres of lease hold land at Dighe, Thane.
- (d) Loans of Rs.2,250,000,000/- from a Bank is secured against mortgage of 50 acres of lease hold land at Dighe, Thane.
- (e) Loan of Rs.264,817,642/- from a Bank is secured by way of second charge against office premises at Mumbai and one residential premises at Mumbai.
- (f) Loan of Rs.143,072,368/- from a Company is secured against hypothecation of specific movable plant and machinery, furniture and fixtures and office equipment.
- (g) Vehicle Loans from ICICI Bank Ltd. amounting to Rs.1,805,465/- are secured by way of hypothecation of specific vehicles.

(iii) Working Capital Facilities [included in Schedule 3(d)]

Working Capital Facilities from the Banks [included in Schedule 3(d)] and other non-funded facilities are secured by hypothecation of stocks (excluding machinery spares) and book debts excluding stocks, book debts and movable assets of Road Construction Division. The said facilities are also secured by way of second and subservient charge against mortgage of Company's immovable assets at Kalwe and Dighe, Dist. Thane, in the State of Maharashtra and Ginigera / Kanakapura, Dist. Ginigera in the State of Karnataka. The said charge shall be second and subservient to all other first charges created in favour of Trustees for all the series of Debentures and Lenders for their loans.

Note : Security given for the above referred debentures, loans and working capital facilities mentioned above exclude :

- 48 acres of grant land at Kalwe and Dighe, Dist. Thane in the State of Maharashtra.
- Leasehold land at Dighe, Thane, as it is mortgaged to Lenders covered at (ii)(c) and (ii)(d) above.
- Freehold land acquired for Coke Oven Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka.
- Plant and Machinery of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka.
- 39.58 acres leasehold land at Lonand, Dist. Satara in the State of Maharashtra, for Company's project of expansion of finishing facilities for steel products.
- 43.14 acres of leasehold land at Sinar, Dist. Nasik, in the State of Maharashtra, for Company's project of expansion of its Industrial Machinery Division.
- 52.49 acres of freehold land in the State of Jharkhand, for Company's projects in that State.

NOTES (Contd.)

- (iv) Dena Bank has provided working capital and other facilities to M/s. JSC Centrodorstroy, Russia with whose co-operation Company is executing a Road Construction Project in the State of Uttar Pradesh. The said facilities are secured by stocks, book debts and movable assets of Road Construction Division, first charge against two residential flats at Mumbai, first charge against a residential flat at Delhi and second charge against a residential flat at Mumbai.

(B) Terms of Redemption and rescheduling of loan instalments

Terms of Redemption

- (i) 800,000, 10.50% (2006-18) Privately placed Mortgage Debentures of Rs.100/- each aggregating Rs.80,000,000/- were redeemable in full on expiry of 3 years from 2nd April, 1998. Rescheduled for repayment in 144 installments from 2006 to 2018 in terms of Financial Restructuring Package approved by Corporate Debt Restructuring Cell (CDR) in July 2003.
- (ii) 2,500,000, 10.5% (2006-18) Privately placed Mortgage Debentures of Rs.100/- each aggregating Rs.250,000,000/- were redeemable in full on expiry of 5 years from 15th April, 1998. Rescheduled for repayment in 144 monthly installments from 2006 to 2018 in terms of financial restructuring package approved by CDR in July 2003.
- (iii) 2,500,000, 10.5% (2006-18) Privately placed Mortgage Debentures of Rs.100/- each aggregating Rs.250,000,000/- were redeemable in one installment on 15th October, 2001. Rescheduled for repayment in 144 monthly installments from 2006 to 2018 in terms of financial restructuring package approved by CDR in July 2003.
- (iv) 50 Floating Rate (2007-11) Privately Placed Mortgage Debentures of Rs.5,000,000/- each aggregating Rs.250,000,000/- are redeemable in 5 equal annual installments of Rs.50,000,000/- each commencing from 15th December 2007.

Rescheduling of loan instalments

- (i) The principal term debt is to be repaid in 144 monthly installments commencing from April, 2006 and ending in March, 2018 with a pre-determined ballooning schedule. During April, 2009 CDR Cell approved deferment of principal amount due for payment aggregating Rs.1,190 million during the period of 18 months commencing from 1st April, 2009 and ending on 30th September, 2010. The total loan amount is now rescheduled to be paid during FY2010-11 to FY2014-15 in place of the earlier schedule of payments by FY2017-18 without any increase in the rate of interest. The Company has improved its operations as well as the resultant cash flows. Based on an assessment of its financial commitments and the estimated cash flows, the management is confident of meeting all its financial commitments in the foreseeable future.
- (ii) Interest/lease rentals payable on all the principal term debt for the period from 1st April, 2002 to 30th September, 2004 have been converted into Future Funded Interest Term Loan (FFITL) and would be repaid in 96 installments commencing from April, 2005 and ending in March, 2013 with a ballooning schedule. Installments due during the year have been paid.

(C) Effect and Progress of Restructuring Package

In terms of the Financial Restructuring Package (FRP) approved by the Corporate Debt Restructuring (CDR) Cell in July, 2003 and April, 2009, the terms of security, redemption and conversion have been rescheduled. A separate disclosure is made hereunder to explain the same, as also the progress made so far :

- (i) Promoters/Associates have pledged 11,426,514 equity shares and 546,652 cumulative redeemable preference shares out of their share-holding in the Company.
- (ii) Pledge of Promoters' holding of shares of Bajaj Auto Limited, Bajaj Auto Finance Limited and Bajaj Holdings Limited is to the tune of Rs.176 million.
- (iii) The Company shall ensure balance realization of non-core assets and investments aggregating Rs.1,170 million (net of amounts realized till 31.03.2010) over a specified time schedule ending on 30th September, 2010.
- (iv) Debts of about Rs.118 million were to be converted into equity. CDR has waived this condition on Company repaying debt along with interest @ 18% per annum compounded on quarterly basis w.e.f. 1st April, 2002. Company has repaid the said debt along with interest during FY2009-10.
- (v) Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charge in FRP for 8 years commencing from July 2003.
- (vi) In the event of default, as defined in the restructuring package, the lenders have the right to cancel, suspend, reduce or modify all or any of the relief and concessions or vary the terms and conditions thereof.

II. Unsecured loans

'Fixed Deposits in Schedule 4' includes unclaimed Fixed Deposits as at 31st March, 2010 amounting to Rs.7,775,000/- (Previous Year Rs.5,034,000/-).

3. Fixed Assets :

- (i) The Company was allotted leasehold land at Trans -Thane Creek Industrial Area, Dighe, at a provisional occupancy price of Rs.20,400,000/- by Maharashtra Industrial Development Corporation (MIDC). The Order of the Court at Thane by which partial refund of Rs.5,400,000/- was granted to the Company was under appeal by MIDC in the Bombay High Court. As per consent terms signed on 4th April, 2009 between MIDC and Company, a total price of Rs.90,000,000/- is paid for the said leasehold land. The Hon'ble Court has passed an Order dated 15th April, 2009 and Company has paid Rs.69,600,000/- on 7th May, 2009, being the balance amount. The accounting effect of this transaction has been given during FY2008-09.

NOTES (Contd.)

(ii) Revaluation :

Free-hold land at Kalwe / Dighe, Thane as at 30.6.1983 was revalued as at 30.6.1984. To reflect the current fair market value, the Company further revalued the freehold land at Kalwe as at 31.3.2001 during November, 2001. The registered valuer had carried out the valuation on the basis of the then market values of these lands. The addition to assets on account of this revaluation, aggregating Rs.1,143,588,433/- was correspondingly credited to the Revaluation Reserve during the year ended 31st March, 2002. Company has further revalued the aforesaid land as at 31.3.2009 and an amount aggregating Rs.12,123,691,000/- has been added to assets and correspondingly credited to the Revaluation Reserve as at 31.3.2009.

(iii) Gross Block of Buildings as at 31st March, 2010 includes value of offices, residential flats and garages in co-operative societies/proposed co-operative societies/association of apartment owners and cost of time-sharing-property at a Holiday Resort, aggregating Rs.64,604,552/- at cost (Previous Year Rs. 64,604,552/-) [including cost of shares in co-operative societies Rs.7,250/- (Previous Year Rs.7,250/-)].

(iv) Capital Work-in-Progress includes Machinery-in-transit, if any.

(v) Fixed assets include net book value of assets at Ginigera Steel Plant aggregating Rs.16,000,000/- which have been retired from active use and are held for disposal as tabulated hereunder. The said net book value is on the basis of realisable value as per valuation report of an approved valuer.

Assets held for disposal:

Rs.'000

Description	As at 1.4.2009	Depreciation as at 31.3.2010	Loss on Discard written-off during F Y 2009-10	Net Block as at 31.3.2010
Plant & Machinery	42,952	18,952	8,000	16,000

(vi) Borrowing costs on long term funds whenever replaced by current short term borrowings is capitalized to qualifying asset as and when the borrowings are utilized for capital expenditure.

4. Current Assets

In the opinion of the Board of Directors of the Company, all items of 'Current Assets, Loans and Advances', continue to have a realizable value of at least the amounts at which they are stated in the Balance Sheet, unless otherwise stated.

5. Debtors

The Company had entered into an agreement dated 31st March, 1998 to sell 500,000 Equity shares of Rs.10/- each of Kalyani Mukand Ltd., for an aggregate consideration of Rs.69,375,000/-. Under the terms of the said agreement, the sale of shares was based on certain conditions to be complied with subsequent to sale, and which conditions have been fulfilled.

Since the sale and transfer of the shares were considered to be legally complete upon execution of the Agreement of Sale of shares, the Company had taken credit for the consideration aggregating Rs.69,375,000/-, during the Accounting Year 1997-98. The Company has, upto the close of the accounting year 2009-10, received amounts aggregating Rs.39,971,860/- against the aggregate consideration of Rs.69,375,000/-.

6. Loans, Advances, Debts etc.

(a) The Company has investments of Rs.1,929,600/- in equity shares of Bombay Forgings Limited (BFL), and also has debts amounting to Rs.803,335,561/- (Net of recoveries of Rs.161,554,790/-) (collectively referred to as 'Exposures') due from BFL whose net worth has turned positive and BFL is no longer a sick industrial company. BIFR has discharged BFL from the purview of provisions of SICA. The management, considering its long term view on the 'Exposures' relies on the valuation of unencumbered assets of BFL as at 31st January, 2010 which is at Rs.567,261,000/- and barring any significant uncertainties in future, relies upon the earnings from the ongoing business of BFL. It considers the 'Exposures' to be 'Good' at the close of the year and adequately covered and expects full realisability of the same in future, upon which, the Auditors have placed their reliance.

(b) The Company has an investment of Rs.616,300,000/- in equity shares of Vidyavihar Containers Ltd. (VCL) a wholly owned Subsidiary. The Company has outstanding balances of loans amounting to Rs.674,968,557/- and of interest receivable amounting to Rs.155,674,392/- (collectively referred to as 'Exposures'). Although the Net Worth of VCL has eroded, the management considers it appropriate to recognise diminution in value of investments only upto an amount of Rs.184,890,000/- and had, during the previous year, fully provided for doubtful recovery of interest receivable from VCL and consider no further provision necessary. Management, barring any significant uncertainties in future, relies upon the VCL management's estimation of realizable values of financial assets of VCL and expected additional realization from its real estate development agreement with a developer to be able to recover its exposures. The management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered, and expects full realisability of the same in future, upon which, the Auditors, being unable to make an informed judgement, have placed their reliance.

(c) The Company has an investment of Rs.130,915,468/- in equity shares of Stainless India Limited (SIL), has trade debts Rs.153,432,237/- (including considered doubtful and provided during an earlier year Rs.144,980,561/-), loans outstanding aggregating Rs.4,000,000/- granted during the year (net of recoveries) and has trade advances/interest receivable, aggregating Rs.774,538,869/- [including granted during the year (net) Rs.26,303,524/- and doubtful and provided during an earlier year Rs.200,000,000/-].

The Net-worth of SIL has eroded. Although, the Company's 'Exposures' have increased, the management has recognised fully the diminution in value of investments and has made no further provision of balance 'Exposures' in SIL. The management, barring any significant uncertainties, relies upon the estimated realisable values of unencumbered assets of SIL, as at 31st March, 2010 estimated at Rs.592,160,965/-. The management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered and expects full realisability of the same in future, upon which, the Auditors, being unable to make an informed judgement, have placed their reliance.

NOTES (Contd.)

- (d) The Company has an investment of Rs.262,495,000/- in equity shares of, loans outstanding aggregating Rs.6,000,000/- granted during the year (net of recoveries) and interest recoverable from Mukand Global Finance Limited (MGFL), a wholly owned subsidiary, aggregating Rs.118,848,390/- (collectively referred to as 'Exposures') whose recovery is dependent upon realisation of the financial assets that MGFL stands invested into at the close of the year. Company had during the previous year, provided as doubtful of recovery the interest receivable from MGFL amounting to Rs.118,848,390/-. The management considers the balance 'Exposure' to be 'Good' and adequately covered since it is in the process of disposing off this investment. As the negotiated price is yet undecided, any ultimate shortfall in the realization is not determinable at present.
- (e) Details of loans and advances in the nature of loans recoverable from subsidiaries/associates and shares held by loanees (stipulated under clause 32 of the listing agreement with Stock Exchanges).

Rs. '000

Name of the Party	Outstanding amount		Maximum amount during the Year	
	As at 31.3.2010	As at 31.3.2009	2009-10	2008-09
II Subsidiaries :				
Mukand Global Finance Ltd. – interest free.	6,000	—	7,000	142,550
Vidyavihar Containers Ltd.	674,969	704,969	704,969	704,969
Mukand Vijayanagar Steel Ltd.	—	100	100	100
III Associates :				
i) Catalyst Finance Ltd.	—	—	—	45,300
ii) Fusion Investments & Financial Services Ltd.	—	—	—	39,611
iii) Stainless India Ltd.	4,000	—	10,250	—

7. (a) "Sundry Creditors" in Schedule '12' include (i) Rs.12,648,366/- (Previous year Rs. Nil) due to creditors registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) (ii) Rs.2,485,439,597/- (Previous year Rs.3,293,855,670/-) due to other creditors and (iii) Rs.32,713,370/- being overdrawn current account balances as per books (Previous Year Rs.87,959,146/-).
- (b) During the year, no amounts have been paid beyond the appointed day in terms of the MSME and there are no amounts paid towards interest. Further, there is no interest accrued / payable under the said Act at the close of the year.

The disclosure above is based on the information available with the Company regarding the status of the suppliers under the MSME.

8. Disclosures in respect of derivative instruments:

- i) Derivative instruments outstanding as at 31st March, 2010 - USD 17.68 Million.
- ii) Foreign Currency exposures that are not hedged by derivative instruments as at 31st March, 2010

Amount in Millions

	USD	EURO	SEK	CAD	AUD	YEN
Debtors	1.88	0.45	-	-	0.08	-
Creditors	10.82	0.16	0.19	0.47	-	6.66
Other Payables	0.44	-	-	-	-	-

9. (a) Contingent Liabilities not provided for :

	31.3.2010 Rs.'000	31.3.2009 Rs.'000
(i) Disputed matters in appeal/contested in respect of:		
- Income Tax	203,566	183,235
- Excise Duty, Customs Duty etc.	27,231	29,688
- Sales Tax, Works Contract Tax etc.	141,189	146,141
- Other matters	2,416	2,416
(ii) Claims against the Company not acknowledged as debts as these are disputed and pending disposal at various fora.	168,383	79,702
For items (i) & (ii)		
The Company has taken legal and other steps to protect its interest in respect of these matters, which is based on legal advice and/or precedents in its own/other cases. It is not possible to make any further determination of the liability which may arise in these matters.		
(iii) Bills discounted with the Bankers and others-Sale Bills discounted	132,170	133,636
(iv) Guarantees and Counter guarantees given by the Company on behalf of :-		
- Other Companies	517,539	791,818
(v) Bonds / Undertakings given by the Company under concessional duty/ exemption to Customs / Excise Authorities (Net of redemption applied for)	6,569	6,569
(vi) Bonds given by the Company against import of machinery under EPCG Scheme. (Net of redemption applied for)	256,004	212,904

NOTES (Contd.)

- (vii) Proportionate liability that may arise on account of loss on realisation of assets in terms of the agreement and out of pending litigations referred in the agreement for sale of shares of Kalyani Mukand Ltd in which Company held 25% of the share capital – Amount not ascertained at present. In the matter of pending litigations, the Arbitral tribunal has given an award. The said award has been challenged in the High Court. After close of the year, the High Court at New Delhi has upheld the award with certain modifications. No liabilities devolve on the Company.
- (viii) Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charged in FRP for 8 years commencing from July, 2003.
- (ix) The Company has implemented the award given by the Industrial Tribunal in the matter relating to emoluments of staff and officers. The said award is under challenge in the High Court of Bombay by way of a Writ Petition, and is pending disposal. Demand for Annual Bonus for the financial years 1995-96 to 2006-07 by Staff and Officers' Association is pending at different stages in proceedings under The Industrial Disputes Act, 1947. Bulk of these employees are statutorily not covered by The Payment of Bonus Act, 1965 and many of the employees are also not covered by The Industrial Disputes Act, 1947. Liability arising there from cannot therefore be determined at present.
- A charter of demands raised by the Union of Workmen at Company's Unit at Dighe, Thane is pending with the appropriate authority and therefore, amount payable if any, is not ascertainable at present.
- (x) Government of Maharashtra had served a Demand Notice on the Company for payment of electricity duty for power generated during the period 01.4.2000 to 30.4.2005 and penal interest thereon in Company's Captive Power Plant amounting to Rs.142,743,646/-. The Writ Petition filed by the Company is disposed by the Hon'ble Bombay High Court on 7th November, 2009 quashing the said Demand Notice. Government of Maharashtra has however, filed an appeal in the Supreme Court of India against the aforesaid judgment of High Court.
- (xi) Under provisions of an Order dt. 16th August, 2006 issued by the Maharashtra Electricity Regulatory Commission (MERC), it is mandatory for Company's grid synchronised captive power plant to use a minimum of 4% renewable energy like wind power, co-generation etc. in its total consumption of energy generated from its own captive power plant with effect from FY 2007-08. Similarly, for FY 2008-09, the said percentage is 5% and for FY2009-10 it is 6%. In response to several petitions, MERC has permitted compliance of this requirement on a cumulative basis for three years viz., FY 2007-08 to FY 2009-10. Accordingly, Company has already purchased 6,487,016 Kwh and given in the grid of Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) which holds/held these units to the credit of Company's account. The balance of units to be purchased and given to MSEDCL for FY 2007-08, FY 2008-09 and FY2009-10 aggregate 6,570,698 Kwh. No demand is raised on the Company in this connection, as the matter is under review by MERC.
- (b) There have been delays in payment of tax deducted at source in earlier years and also in FY2009-10. Interest payable on delays has been accounted for in respect of cases where appropriate orders have been received from Income Tax authorities.
10. A claim towards difference in price of calibrated iron ore for the period 1st April, 2006 to 28th February, 2007 amounting to Rs.330,678,120/- has been raised by a supplier in March 2007. The Company has been legally advised that the supplier cannot seek this price revision under a concluded agreement and hence no provision is made in the Accounts for the same. The issue is referred to an arbitral tribunal whose award is awaited. Moreover, the said supplier has also unilaterally increased the price of calibrated iron ore w.e.f. 1st April, 2007 and thereafter w.e.f. 1st April, every year. This issue too is to be settled by the aforesaid arbitral tribunal. However, pending such determination of final price, the supplier has raised invoices at an ad-hoc interim price on the marketing contractor who in turn, has billed the Company at this price and which liability, has been fully accounted for.

	31.3.2010 Rs. '000	31.3.2009 Rs. '000
11. (a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	173,533	332,216
(b) Future Rental obligations in respect of premises taken on lease.		Rs '000
1 For a period not later than one year.		5,917
2 For a period later than one year and not later than five years.		4,070
3 For a period later than five years.		—
Total.....		9,987
12. Sales in – Schedule 15:		
(a) (i) Sales is net of Returns, etc. relating to earlier years aggregating Rs.4,080,530/- (Previous Year Rs. 7,201,879/-), Rebates and Allowances on Sales relating to earlier years Rs.26,385,360/- (Previous Year Rs. 24,535,661/-) and is also net of early payment discounts aggregating Rs.68,504,915/- (Previous Year Rs. 68,297,073/-).		
(ii) Sales includes export incentives (net) Rs.34,135,709/- (Previous Year Rs. 33,111,432/-).		
(iii) At the close of the year, the Company has, estimated and accounted, an amount of Rs.10,416,707/- (Previous Year Rs. 14,054,855/-) as Export Incentives, being the benefit on account of entitlement to import duty-free materials under Duty Entitlement Pass-Book Scheme, as detailed in Accounting Policy A (7) (v).		
(b) Disclosure regarding Income from Engineering Contracts :		Rs. '000
(i) The amount of Contract revenue recognised as revenue during the year.		285,394
(ii) The aggregate amount of costs incurred and recognised profits (less recognised losses) upto 31.3.2010.		7,537,814
(iii) The amount of advances received (Gross)		—
(iv) The amount of retentions (included in sundry debtors) (net balance)		—

NOTES (Contd.)

- (c) The management has, keeping in view the accounting policy A(7)(vi) adopted by the Company, technically determined the realisable value of Accumulated Direct Costs (including incidental income by way of disposal of plant and equipment at the end of the contract) compared to reliable revenues and claims raised by the Company in respect of its Road Construction Contracts. Although the outcome of the Road Construction activity cannot be estimated with reliability at present, it is the opinion of the management that in view of the substantially large claims by the Company aggregating Rs.1,191,933,000/- for incremental jobs executed, escalations and time over-runs, losses currently expected are already recognized till the close of the year. Since realization of these claims is a judgmental matter, on which auditors are not able to make an informed judgment, the auditors have placed reliance on the Management's judgment of the losses currently expected, reliability of claims which is expected to be settled by 30th September, 2011, and determination of the period in which further losses if any, should be entirely recognized and fully expensed.

13. Disclosures in respect of provisions for warranty costs:

Rs.'000

Opening Balance as at 1.4.2009	Provided during the year	Utilized during the year	Reversed during the year	Closing Balance as at 31.3.2010
8,151	5,208	5,586	2,565	5,208

14. Revenue expenditure including overheads on Research and Development incurred and charged out during the year through the natural heads of expenses amount to Rs.7,179,064/- (Previous Year Rs. 6,181,948/-). Capital expenditure incurred during the year amounts to Rs.3,129,459/- (Previous Year Rs. 4,330,566/-).
15. The Company had, during the Financial Year 1998-99, entered into a strategic alliance with Kalyani Steels Limited to set-up a steel plant to be operated by a Company – Hospet Steels Limited.
Expenses and liabilities arising out of this alliance to Hospet Steels Limited are shared on the basis stipulated in the relevant Agreements, and its accounting in the books of the Company is carried out, accordingly.
Wherever, due to the terms of the alliance, estimations are required to be made in respect of expenses, liabilities, production, etc., the same have been relied upon by the auditors, being technical matters.

16. Exceptional Items shown in the Profit and Loss Account:

Expenditure:

	2009-10 Rs.'000	2008-09 Rs.'000
(i) Provision for diminution in value of long term investments	602	130,916
(ii) Provision for doubtful recovery of interest	—	274,523
(iii) Interest irrecoverable, written-off	—	5,927
(iv) Other advances written-off	—	5,495
(v) Loss on discard of assets	8,000	—
Total	8,602	416,861

Income :

(i) Bad Debts/Bad Advances/Doubtful Debts which were written-off/provided earlier recovered during the year		2,046
Total	—	2,046
Net Debit	8,602	414,815

17. 'Prior period adjustments' represents :

(i) Debit relating to earlier years	1,049	64
(ii) Credit relating to earlier years	(408)	(244)
(iii) Depreciation adjustments (Net)	—	14,852
Net Debit	641	14,672

NOTES (Contd.)

18. Disclosures under Accounting Standard 15 on Employee Benefits:

(a) Details in respect of gratuity are as under:

	2009-10 Rs.	2008-09 Rs.
Liability to be recognised in Balance Sheet		
Present Value of Funded Obligations	245,345,853	212,379,724
Fair Value of Plan Assets	62,347,498	42,891,026
Net Liability	182,998,355	169,488,698
Change in Plan Assets (Reconciliation of Opening & Closing Balances)		
Fair Value of Plan Assets as at beginning of the year	42,891,026	57,003,362
Expected Return on Plan Assets	4,474,412	5,301,313
Actuarial Gains / (Losses)	—	(701,630)
Contributions	34,340,951	60,291
Benefits Paid	(19,358,891)	(18,772,310)
Fair Value of Plan Assets as at the close of the year	62,347,498	42,891,026
Reconciliation of Opening and Closing Balances of obligation		
Change in defined Benefit Obligation		
Obligation as at beginning of the year	212,379,724	202,380,282
Current Service Cost	12,923,716	11,430,694
Interest Cost	15,928,479	15,178,521
Actuarial Losses / (Gains)	23,472,825	2,162,537
Benefits Paid	(19,358,891)	(18,772,310)
Obligation as at the close of the year	245,345,853	212,379,724
Expenditure to be recognised during the year		
Current Service cost	12,923,716	11,430,694
Interest Cost	15,928,479	15,178,521
Expected Return on Plan Assets	(4,474,412)	(5,301,313)
Net Actuarial Losses / (Gains) Recognised during the year	23,472,825	2,864,167
Total Expenditure included in "Employees' Emoluments"	47,850,608	24,172,069
Assumptions		
Discount Rate (per annum)	8.00%	7.50%
Expected rate of Return on Assets (per annum)	9.40%	9.30%
Salary Escalation Rate	5.00%	5.00%

- (b) In terms of the strategic alliance with Kalyani Steels Limited, the Company has accounted for its share towards gratuity in respect of employees of Hospet Steels Ltd. amounting to Rs.3,090,072/- on the basis of an actuarial valuation.
- (c) In respect of certain employees of Road Construction Division, liability for gratuity is provided at actuals on the basis of amount due as at 31st March, 2010, since the projects are for shorter duration. Such liability as at 31st March, 2010 (including Rs.196,436/- for the year) aggregate Rs.728,907/-.
- (d) An amount of Rs.34,847,387/- as contribution towards defined contribution plans [including Rs.7,054,316/- in terms of strategic alliance referred in (b) above] is recognised as expense in the Profit and Loss Account.

19. Components of Deferred tax assets/liabilities are as under:

	As at 31.3.2009 Rs'000	Charge/(Credit) for the year 2009-10 Rs.'000	As at 31.3.2010 Rs'000
Deferred Tax			
Deferred Tax liability on account of :			
a) Depreciation	1,187,248	59,706	1,246,954
b) Others	179,926	(24,094)	155,832
	1,367,174	35,612	1,402,786
Deferred Tax Asset on account of :			
a) Employee benefits, etc	77,844	(8,621)	86,465
b) Taxes, Duties, Cess, Interest to Banks/FIs, etc	376,472	60,702	315,770
c) Provision for doubtful debts	221,934	9,955	211,979
d) Unabsorbed Depreciation/ Business Loss, etc	655,854	(111,808)	767,662
e) Others	35,070	14,160	20,910
	1,367,174	(35,612)	1,402,786
Net Deferred Tax Liability	—	—	—

\$ Deferred tax asset aggregating to Rs.24,764,000/- has not been recognised, considering the principle of virtual certainty as stated in the Accounting Standard AS-22 - Accounting for taxes on Income.

NOTES (Contd.)

20. Computation of Profit for Earnings per Share:

	2009-10 Rs. '000	2008-09 Rs. '000
Profit/(Loss)	619,926	(1,887,083)
Less : Preference Dividend and tax thereon	(7)	(7)
Profit/(Loss) including exceptional items attributable to Equity Shares	619,919	(1,887,090)
Exceptional items (net of tax)	8,602	414,815
Profit/(Loss) excluding exceptional items attributable to Equity Shares	628,521	(1,472,275)

21. Remuneration to the Managing Directors and Whole-time Director paid / payable during the year, under Section 198 of the Companies Act, 1956:-

	Managing Directors		Whole-time Director	
	2009-10 Rs. '000	2008-09 Rs. '000	2009-10 Rs. '000	2008-09 Rs. '000
Salaries	13,200	6,080 *	—	1,073 *
Contribution to Provident and Other Funds	1,884	1,620	—	28
	15,084	7,700	—	1,101
Perquisites	560	765	—	113
	15,644	8,465	—	1,214
No. of Directors	3	3	—	1

* includes encashment of leave

- i) Remuneration to the Managing Directors and Whole-time Director has been paid in terms of approvals of Shareholders/ Central Government to the said appointments.
- ii) As the employee-wise break-up of contribution to Group Gratuity Scheme is not ascertainable, the amounts relating to the individual Directors have not been included above.

22. Payments to Auditors:

	2009-10 Rs. '000	2008-09 Rs. '000
(i) As Auditors	2,500	2,500
(ii) As Tax Auditors	250	250
(iii) For Company Law and allied matters	600	600
(iv) For Certification work	105	358
(v) For other matters	705	705
(vi) Out of pocket expenses	291	217
	4,451	4,630

23. Related Party Disclosures:

(a) Relationship:

- (i) Subsidiaries: Mukand Global Finance Ltd., Mukand International Ltd. (MIL), Vidyavihar Containers Ltd. (VCL), Mukand Vijayanagar Steel Ltd., Mukand International FZE (MIFZE).
- (ii) Other related parties where control / significant influence exists :
Mukand Engineers Ltd. (MEL), Bombay Forgings Ltd. (BFL), Stainless India Ltd. (SIL), Hospet Steels Ltd. (HSL), Kalyani Mukand Ltd., Lineage Investments Ltd., Catalyst Finance Ltd., Econium Investments & Finance Ltd., Fusion Investments & Financial Services Ltd., Primus Investments & Finance Ltd., Conquest Investments & Finance Ltd., Jamnalal & Sons Pvt. Ltd. (JSPL), Mukand Bekaert Wire Industries Pvt. Ltd. (MBWL) and Mukand Vini Mineral Pvt. Ltd. (MVML).
- (iii) Key Management Personnel :
Niraj Bajaj, Rajesh V. Shah, Suketu V. Shah.
- (iv) Relatives of key management personnel and enterprises in which significant influence can be exercised by persons at (iii) above or their relatives where transactions have taken place :
Viren J. Shah, Bansri R. Shah
Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

NOTES (Contd.)

(b) Details of transactions with the related parties referred in (a) above:

Rs.'000

Nature of transactions	Related parties as referred in			
	a (i) above	a (ii) above	a (iii) above	a (iv) above
1 Purchases:				
• Raw Material	(a) 211,594	42,322		
	(451,195)	(43,698)		
• Stores	(a) 21,359	1,542		
	(—)	(6,145)		
• Semi Finished Goods		—		
		(78,584)		
• Fixed Assets		1,166		
		(—)		
2 Sales:				
• Stores / Scrap		—		
		(5,025)		
• Semi Finished/ Finished Goods	(b)(i)	(b)(ii)		
	629,090	278,378		
	(1,447,556)	(206,521)		
• Fixed Assets		243		
		(—)		
3 Expenditure:				
• Rent		690		
		(180)		
• Interest paid	1,316	19,690		
	(3,691)	(23,809)		
• Sub-Contracting Expenses (c)		42,077		
		(26,073)		
• Service Charges	6,464	(c) 114,430		
	(3,805)	(12,299)		
• Share of expenses under an alliance (d)		178,711		
		(194,987)		
• Remuneration			15,644	2,858
			(9,679)	(1,774)
• EDP Data Processing Services (c)		45,000		
		(44,250)		
• Equipment Hire Charges		—		
		(952)		
• Conversion Charges		84		
		(—)		
• Advances written off	100	—		
	(—)	(5,497)		
• Irrecoverable interest written off		—		
		(5,927)		
• Provision for diminution in the value of investment	602	—		
	(—)	(130,916)		
• Provision for doubtful recovery of interest	—			
	(274,523)			
• Other miscellaneous	1,671			
	(7,035)			
4 Income:				
• Rent		792		
		(804)		
• Dividend (a)	18,169			
	(—)			
• Interest received		311		
		(—)		
• Service Charges	1,364			
	(1,537)			
• Conversion / Machining Charges		—		
		(6,566)		
• Other miscellaneous		463		
		(423)		
5 Other payments:				
• Reimbursement of expenses	94	18		
	(—)	(168)		
• Reimbursement of expenses on account of deputation of employees		—		
		(112)		

NOTES (Contd.)

Rs.'000

Nature of transactions	Related parties as referred in			
	a (i) above	a (ii) above	a (iii) above	a (iv) above
6 Other receipts:				
• Reimbursement of expenses	14,703	4,692		
	(36,453)	(6,410)		
• Reimbursement of expenses on account of deputation of employees	58			
	(—)			
• Advance against orders	—			
	(157,818)			
7 Investments, Finance & Advances:				
• Loans/Advances repaid by Loanees	31,000	6,250		
	(142,550)	(84,911)		
• Loans/Advances given	7,000	36,554		
	(—)	(137,830)		
• Loans repaid (e)(i) (including interest)	—	187,548		
	(—)	(187,926)		
• Loans taken (e)(ii)		145,000		
		(205,000)		
• Purchase of shares		12,364		
		(55,613)		
• Application money for shares		644		
		(8,700)		
8 Outstanding balances at the close of the year:				
• As Debtors	88,605	977,869		
Less : Provision for doubtful debt	—	144,981		
Debtors (net of provision)	(b) 88,605	(f) 832,888		
	(147,587)	(859,120)		
• As Creditors	2,881	37,173		
	(238,094)	(25,715)		
• Loans & Advances-Receivables (incl. int.)	955,492@	778,539		
Less : Provision for doubtful Adv.	(274,523)	(200,000)		
Loans & Adv. (net of provision)	(g) 680,969	(h) 578,539		
	(705,078)	(716,873)		
• For reimbursement of Expenditure-receivable		1,125		
		(1,285)		
• Loans & Advances payable		—		
		(33,014)		
• Property Deposit given		1,800		
		(—)		
• Property Deposit taken		650		
		(650)		
• Term Loan (incl. int.) (c)		160,760		
		(170,294)		
• Guarantees given by the Company (j)		49,000		
		(49,000)		
• Counter Guarantees given on behalf of the Company (c)		60,000		
		(60,000)		
• Collateral given on behalf of the Company		**	***	
		(**)	(***)	

a) MIL, b)(i) MIL & MIFZE, (ii) BFL Rs.114,560 ('000) and MBWL Rs.160,085 ('000)

c) MEL, d) HSL, e) JSPL (i) Rs.178,014 ('000) (ii) Rs.145,000 ('000)

f) BFL Rs.803,336 ('000), g) VCL Rs.674,969 ('000) h) SIL, i) MVML.

Figures in bracket relate to previous year.

** 3,869,089 Equity Shares and 546,652 Cumulative Redeemable Preference Shares of the Company.

*** 3,869,089 Equity Shares of the Company.

@ Includes Rs.680,968,557/- on which interest income not accounted out of prudence / interest waived during the year.

NOTES (Contd.)

(b) Stores, Spares, Components etc. (net of sales):

	2009-10		2008-09	
	% of total Consumption	Amount Rs.'000	% of total Consumption	Amount Rs.'000
(i) Stores, Spares etc.				
- Imported	31.69	1,007,964	28.97	847,892
- Indigenus	68.31	2,172,712	71.03	2,078,709
	100.00	3,180,676	100.00	2,926,601
(ii) Components				
- Imported	12.79	22,473	4.25	8,291
- Indigenus	87.21	153,225	95.75	186,768
	100.00	175,698	100.00	195,059
		3,356,374		3,121,660

26. (a) Value of imports (C.I.F. basis) (including in-transit)

	2009-10 Rs.'000	2008-09 Rs.'000
Raw Materials	3,604,911	4,682,857
Stores, Spare Parts, Components and Fuel	491,210	483,167
Goods for trade	582	49,025
Capital goods	14,679	195,608
	4,111,382	5,410,657

(b) Expenditure in Foreign Currency
(Including amounts capitalised and amounts recovered)

Interest and Bank charges (Net of tax)	45,602	84,211
Technical Consultancy / Services and Engineering contract execution costs (Net of tax)	3,227	733
Foreign Travel	2,035	3,928
Legal and Professional fees	—	2,746
Other matters	4,964	10,568
	55,828	102,186

27. Earnings in Foreign Exchange

Exports (F.O.B. Value)	770,560	1,629,844
Income from Engineering Contracts	—	13,434
Dividend	18,169	—
Others	1,364	1,537
	790,093	1,644,815

28. Information on Joint Ventures:

(A) Mukand Bekaert Wire Industries Pvt. Ltd.
(on the basis of un-audited Financial Statements)

- i) Jointly controlled entity – Mukand Bekaert Wire Industries Pvt. Ltd.
Country of incorporation : India
Percentage of ownership interest : 26% as per Agreement dt. 6.2.2009.

	As at 31.3.2010 Rs.'000 Un-Audited	As at 31.3.2009 Rs.'000 Audited
ii) Contingent liabilities in respect of Joint Venture.		
a) Directly incurred by the Company.	—	—
b) Share of the Company in contingent liabilities incurred by jointly controlled entity (to the extent ascertainable)	1,157	—
iii) Capital commitments in respect of Joint Venture.		
a) Direct capital commitments by the Company.	—	11,300
b) Share of the Company in capital commitments of the jointly controlled entity	2,599	40,094
iv) Interest in the assets, liabilities, income and expenses with respect to jointly controlled entity.		
A) Assets :		
a) Fixed Assets (Net Block)	217,546	3,153
Capital Work in progress	63,264	202,108
b) Investments	—	—
c) Current Assets, Loans and Advances		
Inventories	28,038	3,561
Sundry Debtors	16,011	19
Cash and Bank balances	11,509	60,982
Loans and Advances	32,580	18,438
Other Current Assets	—	—
d) Preliminary expenses	—	—
e) Pre-operative expenses	—	—

NOTES (Contd.)

	As at 31.3.2010 Rs.'000 Un-Audited	As at 31.3.2009 Rs.'000 Audited
B) Liabilities:		
a) Loan Funds :		
Secured Loans	177,245	119,542
Unsecured Loans	—	—
b) Current Liabilities and Provisions :		
Liabilities	88,670	80,545
Provisions	848	356
c) Deferred Tax Liability	—	—
C) Income	26,811	—
D) Expenses	46,581	7,914
E) Tax	—	129
(B) Mukand Vini Mineral Pvt. Ltd.		
i) Jointly controlled entity – Mukand Vini Mineral Pvt. Ltd.		
Country of incorporation	: India	
Percentage of ownership interest	: 48.81%	
	As at 31.3.2010 Rs.'000 Un-Audited	As at 31.3.2009 Rs.'000 Audited
ii) Contingent liabilities in respect of Joint Venture.		
a) Directly incurred by the Company.	49,000	49,000
b) Share of the Company in contingent liabilities incurred by jointly controlled entity (to the extent ascertainable)	—	—
iii) Capital commitments in respect of Joint Venture.		
a) Direct capital commitments by the Company.	—	—
b) Share of the Company in capital commitments of the jointly controlled entity	—	—
iv) Interest in the assets, liabilities, income and expenses with respect to jointly controlled entity.		
A) Assets :		
a) Fixed Assets (Net Block)	18	—
Capital Work in progress	—	—
b) Investments	—	—
c) Current Assets, Loans and Advances		
Inventories	—	—
Sundry Debtors	—	—
Cash and Bank balances	20	268
Loans and Advances	12	—
Other Current Assets	—	—
d) Preliminary expenses	150	150
e) Pre-operative expenses	6,267	6,267
B) Liabilities:		
a) Loan Funds :		
Secured Loans	15	—
Unsecured Loans	—	—
b) Current Liabilities and Provisions :		
Liabilities	2,218	1,071
Provisions	—	—
c) Deferred Tax Liability	—	—
C) Income	—	—
D) Expenses	2,975	—
29. In accordance with Accounting Standard – 17 “Segment Reporting”, segment information has been given in the consolidated financial statements of the Company, and therefore, no separate disclosure on segment information is given in these financial statements.		
30. Figures less than Rs.500/- have, wherever necessary, been shown at actuals in brackets since all the figures have been rounded off to the nearest thousand.		
31. Previous year's figures have been regrouped/recast wherever necessary.		

As per our attached report of even date

For Dalal & Shah

Firm Registration No. 102021W
Chartered Accountants

Niraj Bajaj

Chairman & Managing Director

Rajesh V Shah

Co-Chairman & Managing Director

Suketu V Shah

Joint Managing Director

Ashish Dalal

Partner : Membership No. : 033596
Mumbai : May 26, 2010

K J Mallya

Company Secretary
Mumbai, May 26, 2010

BALANCE SHEET ABSTRACT

Statement Pursuant to Part IV of Schedule VI to The Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. State Code
Balance Sheet Date

II. Capital Raised during the year (Amount in Rs. thousands)

Public Issue	Rights Issue
<input type="text" value="—"/>	<input type="text" value="—"/>
Bonus Issue	Private Placement
<input type="text" value="—"/>	<input type="text" value="—"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)

	Total Liabilities		Total Assets
Sources of Funds	<input type="text" value="35,331,846"/>	Paid-Up Capital	<input type="text" value="35,331,846"/>
	<input type="text" value="787,520"/>	Reserves & Surplus	<input type="text" value="17,724,792"/>
	<input type="text" value="—"/>		
	Deferred Tax		
	<input type="text" value="—"/>		
	Secured Loans	Unsecured Loans	
	<input type="text" value="13,329,815"/>	<input type="text" value="3,489,719"/>	
Application of Funds			
	Net Fixed Assets	Investments	
	<input type="text" value="21,478,072"/>	<input type="text" value="1,061,762"/>	
	Net Current Assets	Misc. Expenditure	
	<input type="text" value="12,755,596"/>	<input type="text" value="36,416"/>	
	Accumulated Losses		
	<input type="text" value="—"/>		

IV. Performance of the Company (Amount in Rs. thousands)

Turnover and Other Income	Total Expenditure net of Exceptional Items
<input type="text" value="19,941,635"/>	<input type="text" value="19,321,617"/>
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
<input type="text" value="620,018"/>	<input type="text" value="619,393"/>
Earnings per Share in Rs.	Dividend Rate %
<input type="text" value="8.48"/>	<input type="text" value="10"/>

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="7228 30 29"/>
Product Description	<input type="text" value="Bars and rods of Alloy Steel"/>
Item Code No. (ITC Code)	<input type="text" value="7227 90 40"/>
Product Description	<input type="text" value="Bars and rods, coils, Other Alloy Steel (CHQ)"/>
Item Code No. (ITC Code)	<input type="text" value="8426 11 00"/>
Product Description	<input type="text" value="Overhead Traveling Crane on Fixed Support"/>

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES :

Name of the Subsidiary Company	Mukand Global Finance Limited	Vidyavihar Containers Limited	Mukand International Limited	Mukand International FZE	Mukand Vijayanagar Steel Ltd.
The financial year of the subsidiary company ended on	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010
Number of shares in the subsidiary company held by Mukand Ltd., at the above date					
Equity	11,749,500	11,976,762	600,000	1	70,000
Percentage of holding	100	100	100	100	100
The net aggregate of profits, less losses of the subsidiary company so far as they concern the members of Mukand Ltd.	<u>Rs.'000</u>	<u>Rs.'000</u>	<u>USD</u>	<u>USD</u>	<u>Rs.'000</u>
(i) Dealt with in the accounts of Mukand Ltd., amounted to:					
(a) for the subsidiary's financial year	—	—	400,000	—	—
(b) for the previous financial years of the subsidiary since it became subsidiary of Mukand Ltd.	39,955	—	518,699	—	—
(ii) Not dealt with in the accounts of Mukand Ltd., amounted to:					
(a) for the subsidiary's financial year	(31,493)	1,889	188,027	26,713	(69,628) (Loss)
(b) for the previous financial years of the subsidiary since it became subsidiary of Mukand Ltd.	130,820	(722,376) (Loss)	467,749	(5,941) (Loss)	—
Changes in the interest of Mukand Ltd., between the end of the subsidiary's financial year and 31st March, 2010	N.A.	N.A.	N.A.	N.A.	N.A.
Material changes between the end of the subsidiary's financial year and 31st March, 2010					
(i) Fixed assets	N.A.	N.A.	N.A.	N.A.	N.A.
(ii) Investments	N.A.	N.A.	N.A.	N.A.	N.A.
(iii) Moneys lent by the subsidiary	N.A.	N.A.	N.A.	N.A.	N.A.
(iv) Moneys borrowed by the subsidiary other than for meeting current liabilities	N.A.	N.A.	N.A.	N.A.	N.A.

Niraj Bajaj
Chairman & Managing Director

Rajesh V Shah
Co-Chairman & Managing Director

Suketu V Shah
Joint Managing Director

K J Mallya
Company Secretary

Mumbai : May 26, 2010

REPORT OF THE AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. We have audited the attached consolidated balance sheet of Mukand Limited (the "Company") and its subsidiaries, its jointly controlled entities and associate companies; hereinafter referred to as the "Group" (Refer Note 1(b) in Schedule 20 to the attached consolidated financial statements) as at 31st March, 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of :-
 - (a) five subsidiaries (including two foreign subsidiaries) included in the consolidated financial statements, which constitute total assets of Rs.2,594.48 Million and net assets of Rs.859.99 Million as at 31st March, 2010 and total revenue of Rs.947.24 Million, net profit of Rs.372.86 Million and net cash flows amounting to Rs.71.71 Million for the year then ended and one associate company whose net profit is Rs.1.47 Million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
 - (b) two jointly controlled entities included in the consolidated financial statements, which constitute total assets of Rs.375.27 Million and net assets of Rs.111.76 Million as at 31st March, 2010 and total revenue of Rs.26.81 Million, net loss of Rs.29.61 Million and net cash flows amounting to Rs.(49.72) Million for the year then ended and one associate company whose net profit is Rs.Nil for the year then ended. These financial statements and other financial information are unaudited and have been prepared and certified by the Management of these companies as a result of which, any adjustment to their balances could have a consequential effect on the attached consolidated financial statements. However, the size of these entities, in the consolidated position of the Group, is not significant in relative terms.
4. Without qualifying our report, we invite attention to the following:-
 - (a) Note No. 8 (a) of Schedule 20 to the Accounts, relating to the Group's Exposures in Bombay Forgings Limited (BFL), aggregating Rs.805.26 Million as at 31st March, 2010, and the long term view on their recoverability based upon the projected future earnings from the business activities of BFL, barring significant uncertainties in the future;
 - (b) Note No. 8 (c) of Schedule 20 to the Accounts, relating to the Group's Exposures in Stainless India Limited (SIL) aggregating Rs.1,046.09 Million as at 31st March, 2010 and our reliance upon the estimated realizable values of the unencumbered assets of SIL, being adequate to recover these exposures, barring significant uncertainties in future; and
 - (c) Note No. 12 (b) of Schedule 20 to the Accounts, relating to the realisability of outstanding claims made by the Holding Company aggregating Rs.1,191.93 Million, for incremental jobs executed, escalations and time overruns for its Road Construction Contract, since the realisabilities are dependent upon uncertainties inherent to these activities.
5. *We invite further attention to Note No. 8 (b) of Schedule 20 to the Accounts, relating to the Group's Exposures (through two wholly owned subsidiaries) in certain investment companies aggregating Rs.1,638.84 Million, as at 31st March, 2010, and the management's assessment of relying on the estimated realizable values of the financial assets of these investment companies and any ultimate shortfall in such realisation, which would be determined at that point of time. In view of inherent uncertainties involved, we are unable to make an assessment of the said realisability with accuracy, and therefore, the same could necessitate provisioning, if it ultimately results in a shortfall.*
6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, Accounting Standard (AS) 23 - Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under sub-section 3C of Section 211 of the Companies Act, 1956.
7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, *except for the adjustments that may be required in view of the matter referred to in paragraph 5 above*, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2010;
 - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For DALAL & SHAH
Firm Registration Number: 102021W
Chartered Accountants

Ashish Dalal
Partner
Membership No.: 033596

Mumbai
26th May, 2010

CONSOLIDATED BALANCE SHEET
As at 31st March, 2010

	Schedule	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000
I SOURCES OF FUNDS			
(1) Shareholders' Funds			
(a) Share Capital	1	787,520	787,520
(b) Reserves and Surplus	2	17,078,006	16,587,141
		<u>17,865,526</u>	<u>17,374,661</u>
(2) Loan Funds			
(a) Secured Loans	3	13,507,060	12,516,191
(b) Unsecured Loans	4	4,236,752	2,193,881
		<u>17,743,812</u>	<u>14,710,072</u>
Total		<u>35,609,338</u>	<u>32,084,733</u>
II APPLICATION OF FUNDS			
(1) Fixed Assets	5		
(a) Assets			
(i) Gross Block		27,116,957	24,923,075
(ii) Less: Depreciation		6,636,243	6,032,913
(iii) Net Block		20,480,714	18,890,162
(b) Capital Work-in-Progress		1,287,740	2,931,592
		<u>21,768,454</u>	<u>21,821,754</u>
(2) Investments	6	474,790	443,893
(3) Deferred Tax Asset (Net)		67	97
(4) Current Assets, Loans and Advances			
(a) Inventories	7	7,740,587	6,232,208
(b) Sundry Debtors	8	7,424,126	6,352,901
(c) Cash and Bank Balances	9	1,130,922	1,134,352
(d) Other Current Assets	10	107,855	144,323
(e) Loans and Advances	11	5,134,396	5,066,213
		<u>21,537,886</u>	<u>18,929,997</u>
Less:			
Current Liabilities and Provisions			
(a) Liabilities	12	7,270,726	8,368,436
(b) Provisions	13	937,549	792,960
		<u>8,208,275</u>	<u>9,161,396</u>
Net Current Assets		<u>13,329,611</u>	<u>9,768,601</u>
(5) Deferred Revenue Expenditure (to the extent not written off or adjusted)	14	36,416	50,388
Total		<u>35,609,338</u>	<u>32,084,733</u>
Notes forming part of the Consolidated Accounts	20		

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31st March, 2010

	Schedule	2009-10 Rs.'000	2008-09 Rs.'000
INCOME			
Sales, Services and Other Income	15		
Gross Sales and Services		21,553,884	21,699,263
Less: Excise Duty recovered		1,599,343	2,313,276
Net Sales and Services		<u>19,954,541</u>	<u>19,385,987</u>
Other Income		<u>311,622</u>	<u>328,654</u>
		<u>20,266,163</u>	<u>19,714,641</u>
EXPENDITURE			
Raw Materials Consumed	16	8,495,010	10,251,826
Operating and Other Expenses	17	9,392,402	8,944,106
Variation in Opening and Closing Stocks	18	(1,018,186)	361,110
Purchases for Trade		564,778	293,276
Finance and Lease Charges	19	1,627,369	1,424,014
Depreciation (Including Share of Joint Ventures)		639,124	578,861
		<u>19,700,497</u>	<u>21,853,193</u>
(Less) :			
Expenditure transferred to Capital Accounts/ Capital Work-in-Progress		(10,645)	(109,847)
		<u>19,689,852</u>	<u>21,743,346</u>
Profit/(Loss) for the year before tax		<u>576,311</u>	<u>(2,028,705)</u>
Add/(Less) :			
Exceptional Items (net) [Refer Note 17 (a)]		(8,000)	(9,376)
Profit / (Loss) before tax		<u>568,311</u>	<u>(2,038,081)</u>
(Less) : Provision for taxation :			
Fringe Benefit Tax		—	(10,956)
Wealth Tax		(625)	(650)
Current Tax		(109,315)	(5,995)
Deferred Tax (Charge) / Credit		(30)	594,690
MAT Credit Entitlement		105,801	—
		<u>564,142</u>	<u>(1,460,992)</u>
Profit/(Loss) after tax		<u>564,142</u>	<u>(1,460,992)</u>
Add/(Less) :			
Excess / (Short) provision for tax		1,174	3,004
Share of Profit / (Loss) in Associates (net)		31,049	14,633
Prior Period Adjustments (net) (including share in Associates / Joint Ventures) [Refer Note 17 (b)]		(7,652)	(14,645)
Profit / (Loss) for the year		<u>588,713</u>	<u>(1,458,000)</u>
Balance brought forward from previous year		—	139,708
Balance available for Appropriations		<u>588,713</u>	<u>(1,318,292)</u>
Appropriations:			
Transferred from Debenture Redemption Reserve	125,000		62,500
Transferred to Debenture Redemption Reserve	(58,750)		—
Transferred from / to General Reserve	(300,000)		1,245,364
Transferred to Reserve Fund in terms of Section 45-I C (i) of Reserve Bank of India Act, 1934	—		—
Transferred from / to Currency Fluctuation Reserve	—		10,435
Preference Dividend	(6)		(6)
Equity Dividend	(73,114)		—
Tax on Equity / Preference Dividend	(12,427)		(1)
		<u>(319,297)</u>	<u>1,318,292</u>
Balance carried to the Balance Sheet		<u>269,416</u>	<u>—</u>
Weighted average number of Equity Shares outstanding during the year		73,114,129	73,114,129
Basic and diluted earnings per share including Exceptional Items (in Rs.)		8.05	(19.94)
Basic and diluted earnings per share excluding Exceptional Items (net of tax) (in Rs.)		8.16	(19.81)
Nominal value of share (in Rs.)		10.00	10.00
Notes forming part of the Consolidated Accounts	20		

As per our attached report of even date
For DALAL & SHAH
Firm Registration No. 102021W
Chartered Accountants

Niraj Bajaj
Chairman &
Managing Director

Rajesh V Shah
Co-Chairman &
Managing Director

Suketu V Shah
Joint
Managing Director

Ashish Dalal
Partner : Membership No. : 033596
Mumbai : May 26, 2010

K J Mallya
Company Secretary
Mumbai, May 26, 2010

As per our attached report of even date
For DALAL & SHAH
Firm Registration No. 102021W
Chartered Accountants

Niraj Bajaj
Chairman &
Managing Director

Rajesh V Shah
Co-Chairman &
Managing Director

Suketu V Shah
Joint
Managing Director

Ashish Dalal
Partner : Membership No. : 033596
Mumbai : May 26, 2010

K J Mallya
Company Secretary
Mumbai, May 26, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	2009-10	2009-10	2009-10	2008-09	2008-09	Rs.'000 2008-09
A. Cash Flow arising from Operating Activities						
Profit before Tax and exceptional items			576,311			(2,028,705)
Add back:						
a) Depreciation		639,124			579,019	
b) Other Non-cash Expenditure / (Income) - (Net)		(6,635)			43,404	
c) Finance and Lease Charges - (Net)		1,452,704			1,254,006	
			<u>2,085,193</u>			<u>1,876,429</u>
			2,661,504			(152,276)
Deduct:						
a) Investment Income		1,342			1,306	
b) Profit on sale of Investments		16,691			—	
c) Surplus/(Loss) on sale of assets - (Net)		1,828			(23)	
			<u>19,861</u>			<u>1,283</u>
Operating Profit before Working Capital Changes			2,641,643			(153,559)
Less: Working Capital Changes						
a) Increase in Trade and Other Receivables	454,641			925,173		
b) Increase in Inventories	1,508,379			—		
c) Decrease in Trade Payables	1,086,556			—		
		<u>3,049,576</u>			<u>925,173</u>	
Less:						
a) Decrease in Inventories	—			729,209		
b) Increase in Trade Payables	—			1,472,802		
					<u>2,202,011</u>	
Net Working Capital Changes			<u>(3,049,576)</u>			<u>1,276,838</u>
Cash flow from Operations			(407,933)			1,123,279
Less: Direct taxes paid			177,147			122,862
			<u>(585,080)</u>			<u>1,000,417</u>
Less: Prior period adjustments			7,672			(180)
Net Cash Inflow/(Outflow) from Operating Activities			<u>(592,752)</u>			<u>1,000,597</u>
B. Cash Flow arising from Investing Activities						
Inflow						
a) Sale of Fixed Assets		10,056			12,578	
b) Interest received on loans to Companies		29,372			15,680	
c) Dividends received		1,342			1,306	
d) Decrease in Loans to Companies		—			214,911	
e) Sale of Investments - (Net)		16,843			14,460	
			<u>57,613</u>		<u>14,460</u>	258,935
Deduct Outflow						
a) Acquisition of fixed assets		504,969			1,065,920	
b) Pre-Operative Expenses		—			6,309	
c) Increase in Loans to Companies		336,510			47,050	
			<u>841,479</u>			<u>1,119,279</u>
Net Cash Inflow/(Outflow) from Investing Activities			<u>(783,866)</u>			<u>(860,344)</u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010 (Contd.)

	2009-10	2009-10	2009-10	2008-09	2008-09	Rs.'000 2008-09
C. Cash Flow arising from Financing Activities						
Inflow						
a) Increase in Debentures		—			300,000	
b) Increase in Term Loans - (Net)		3,064,167			—	
c) Increase in Working Capital Loans from Banks - (Net)		—			1,685,103	
d) Increase in Other Unsecured Loans - (Net)		2,236,703			302,037	
			5,300,870			2,287,140
Deduct Outflow						
a) Redemption of Debentures		552,415			624,180	
b) Decrease in Term Loans - (Net)		—			416,856	
c) Decrease in Working Capital Loans from Banks - (Net)		1,331,407			—	
d) Dividend paid		7			85,547	
e) Finance and Lease Charges - (Net)		1,767,624			1,510,819	
			3,651,453			2,637,402
Net Cash Inflow / (Outflow) from Financing Activities			1,649,417			(350,262)
Net Increase / (Decrease) in Cash/Cash Equivalents			272,799			(210,009)
Add : Balance at the beginning of the year			407,636			617,645
Cash/Cash Equivalents at the close of the year			680,435			407,636

Note : 1) Cash / Cash Equivalents exclude balances with banks in Margin Money Accounts : 31.3.2010 - Rs. 447,918,136/-; 31.3.2009 - Rs.724,238,463/-; 31.3.2008 - Rs.839,305,099/-; and in Escrow Account : 31.3.2010 - Rs. 2,569,101/-; 31.3.2009 - Rs. 2,477,536/-;

As per our attached report of even date

For Dalal & Shah

Firm Registration No. 102021W

Chartered Accountants

Niraj Bajaj

Chairman & Managing Director

Rajesh V Shah

Co-Chairman & Managing Director

Suketu V Shah

Joint Managing Director

Ashish Dalal

Partner : Membership No. : 033596

Mumbai : May 26, 2010

K J Mallya

Company Secretary

Mumbai, May 26, 2010

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (Contd.)

5. FIXED ASSETS [Refer Note 5(c),(d), 6 and 7]

(a) Assets

Rs.'000

	GROSS BLOCK (At Cost / Book Value)				DEPRECIATION				NET BLOCK		
	As at 1st April, 2009	Additions/ Adjustments	Deductions/ Adjustments	Adjustments/ Additions/ (Deductions) to Revalued Assets	As at 31st March, 2010	As at 1st April, 2009	For the year (**)	Recouped during the year	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009
Land (Including Leasehold Land)	13,600,101	32,844	3,530 *	—	13,629,415 @	—	—	—	—	13,629,415	13,600,101
Railway Siding	130,418	14	—	—	130,432	6,724	6,196	—	12,920	117,512	123,694
Buildings	1,452,864	29,352	—	—	1,482,216	467,140	42,225	—	509,365	972,851	985,724
Plant and Machinery	9,517,572	1,952,181	34,386	—	11,435,367	5,435,917	568,039	24,264	5,979,692	5,455,675	4,081,655
Intangible Assets - Software	—	9,227	—	—	9,227	—	1,576	—	1,576	7,651	—
Furniture, Fixtures, etc.	118,587	3,503	2,767	—	119,323	64,198	5,670	2,368	67,500	51,823	54,389
Vehicles	100,241	1,116	14,434	—	86,923	58,774	9,068	9,142	58,700	28,223	41,467
Share of Joint Ventures	3,292	220,762	—	—	224,054	160	6,350	20	6,490	217,564	3,132
Total	24,923,075	2,248,999	55,117	—	27,116,957	6,032,913	639,124	35,794	6,636,243	20,480,714	18,890,162
Previous year's Total	12,132,160	741,078	73,854	12,123,691	24,923,075	5,496,467	579,018	42,572	6,032,913	18,890,162	

(b) i) Capital Work-in-Progress, expenditure to date

1,218,209 2,717,728

(b) ii) Capital Work-in-Progress, Share of Joint Ventures

69,531 213,864

21,768,454 21,821,754

@ Registration pending for part of land acquired for Coke Oven Project at Ginigera, Karnataka

* Represents amount written off on account of amortization of leasehold land and refund received from Lessor

** Includes Rs. Nil (Previous year Rs.157,722/-) being depreciation directly transferred to pre-operative expenditure.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (Contd.)

6.	INVESTMENTS, At Cost / Book Value [Refer Note 8 a, b, c, g]	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000		31st March, 2010 Rs.'000	31st March, 2009 Rs.'000
I.	Long Term Investments:					
A.	Trade (Quoted)	106	106			
B.	Trade (Unquoted)	827	864			
C.	Others (Quoted)	267,371	237,904			
D.	Others (Unquoted)	334,404	332,937			
	Less: Provision for diminution in the value of investments	127,918	127,918			
		<u>206,486</u>	<u>205,019</u>			
		<u>474,790</u>	<u>443,893</u>			
Note:						
(i) All the above Investments have been classified by Companies as "Long Term Investments" in view of their intention to hold the same on a long term basis.						
	<u>Book Value as at</u>	<u>Market Value as at</u>				
	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000		
Quoted Investments	267,477	238,010	254,108	52,335		
Unquoted Investments	207,313	205,883				
	<u>474,790</u>	<u>443,893</u>				
CURRENT ASSETS, LOANS AND ADVANCES						
7.	INVENTORIES [Refer Note 5 (f)]	31st March, 2010 Rs.'000	31st March, 2009 Rs.'000			
	Stores, Spares, Fuel, Components and Engineering Construction Materials	389,027	367,296			
	Loose Tools	1,236	1,652			
	Stock-in-trade :					
	Raw Materials	566,940	755,196			
	Work-in-Process	2,461,057	1,815,582			
	Finished Goods	1,984,515	1,492,683			
	Finished Goods for Trade	—	4,737			
	Stock-in-trade of Property Development Business	912	912			
	Accumulated Contract Costs / Incomplete Contract Work	1,477,079	1,535,558			
	Materials-in-transit	831,782	253,804			
	Share of Joint Ventures	28,039	4,788			
		<u>7,740,587</u>	<u>6,232,208</u>			
8.	SDNDRY DEBTORS, (Unsecured) [Refer Note 13]					
	Over six months :					
	Considered good	3,562,823	2,469,188			
	Considered doubtful	146,208	174,117			
	Less : Provision	(146,208)	(174,117)			
		<u>3,562,823</u>	<u>2,469,188</u>			
	Others :					
	Considered good	3,845,292	3,883,694			
	Share of Joint Ventures	16,011	19			
		<u>7,424,126</u>	<u>6,352,901</u>			
9.	CASH AND BANK BALANCES					
	Cash on hand (including cheques/ stamp paper on hand)	123,851	33,948			
	Balances with Scheduled Banks :					
	(i) In Current Accounts	320,026	69,423			
	(ii) In Escrow Account	2,569	2,478			
	(iii) In Margin Money Accounts	447,918	724,238			
	(iv) In Deposit Accounts	1,300	13,050			
	Balances with Non-Scheduled Banks :					
	(i) In Current Accounts					
	Hongkong & Shanghai Banking Corporation, London	2,072	3,221			
	Hongkong & Shanghai Banking Corporation, Dubai	86,931	17,527			
	HABIB Bank A.G. Zurich, Dubai	1	4			
	(ii) In Deposit Accounts					
	HABIB Bank A.G. Zurich, Dubai	1,448	1,598			
		<u>862,265</u>	<u>831,539</u>			
	Remittances-in-Transit	133,277	209,819			
	Share of Joint Ventures	11,529	59,046			
		<u>1,130,922</u>	<u>1,134,352</u>			
10.	OTHER CURRENT ASSETS					
	Export Incentives receivable	14,471	23,003			
	Interest receivable [Refer Note 8]	93,384	121,320			
	Facilities at Customer's Site					
	Opening Balance (at Direct costs, less amounts written off)	—	1,671			
	Add : Additions during the year	1,039	1,675			
		<u>1,039</u>	<u>3,346</u>			
	Less : Proportionate cost of facilities written off	1,039	3,346			
		<u>—</u>	<u>—</u>			
		<u>107,855</u>	<u>144,323</u>			
11.	LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified					
	Loans and Advances [Refer Note 8 (a), (b), (c) and (d)]	1,857,746	1,784,862			
	Advances recoverable in cash or in kind or for value to be received [Refer Note 8 (c)]	1,955,301	2,135,849			
	Considered doubtful	202,921	202,254			
	Less : Provision	(202,921)	(202,254)			
		<u>1,955,301</u>	<u>2,135,849</u>			
	Advance payment of Income-tax	661,612	668,419			
	MAT Entitlement Credit Balances, etc. with —	485,294	321,888			
	Port Trust, Central Excise, etc.	6,786	6,795			
	Others	134,801	128,216			
		<u>141,587</u>	<u>135,011</u>			
	Share of Joint Ventures	32,856	20,184			
		<u>5,134,396</u>	<u>5,066,213</u>			
CURRENT LIABILITIES AND PROVISIONS						
12.	LIABILITIES					
	Acceptances	2,873,597	2,966,088			
	Sundry Creditors	2,563,012	3,534,385			
	Advances against Orders and Engineering Contracts	801,797	750,713			
	Liabilities for Property Development	845,206	845,206			
	Interest accrued but not due on Debentures and Loans	86,915	182,642			
	Due to Employees' Provident Fund (since paid)	9,310	6,351			
	Share of Joint Ventures	90,889	83,051			
		<u>7,270,726</u>	<u>8,368,436</u>			
13.	PROVISIONS					
	for Taxation	417,780	435,363			
	for Premium on Redemption of Debentures	375	375			
	for Employee Benefits	252,941	235,880			
	for NPA as per RBI Prudential Norms	62,500	37,500			
	for Excise Duty on Finished Goods Stock	112,351	75,598			
	for Warranty Costs	5,208	8,151			
	for Proposed Preference Dividend	6	6			
	for Proposed Equity Dividend	73,114	—			
	for Tax on Equity / Preference Dividend	12,427	1			
	Share of Joint Venture	847	86			
		<u>937,549</u>	<u>792,960</u>			
14.	DEFERRED REVENUE EXPENDITURE (to the extent not written off or adjusted)					
	Interest and lease compensation during installation of leased assets	36,416	49,739			
	Front-end fees	—	167			
	Others	—	482			
		<u>36,416</u>	<u>50,388</u>			
15.	SALES, SERVICES AND OTHER INCOME					
	i) Sales and Services					
	(a) Gross Sales	20,192,676	20,448,276			
	Less : Excise Duty recovered	(1,516,655)	(2,221,368)			
	Net Sales	<u>18,676,021</u>	<u>18,226,908</u>			

20. NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS AND PRINCIPLES OF CONSOLIDATION

1. a) The consolidation of accounts is carried out for Mukand Ltd. (Mukand), its wholly owned subsidiaries, joint venture and associates to meet the requirements of Clause 32 of the listing agreement with stock exchanges. Consolidation has been carried out in line with the requirements of Accounting Standards AS-21 – Consolidated Financial Statements, AS-23 – Accounting for Investments in Associates in Consolidated Financial Statements and AS-27 – Financial Reporting of Interests in Joint Ventures.
- b) Accordingly, the Consolidated Financial Statements (CFS) include the results of four wholly owned subsidiaries, joint venture and three associates. The names, country of incorporation and proportion of ownership is given hereunder :

Name of the Company		Country of Incorporation	Percentage of share holding	Consolidated as
Mukand Global Finance Ltd.	(MGFL)	India	100	Subsidiary
Vidyavihar Containers Ltd.	(VCL)	India	100	Subsidiary
Mukand Vijaynagar Steels Ltd.	(MVSL)	India	100	Subsidiary
Mukand International Ltd.	(MIL)	UK	100	Subsidiary
Mukand International FZE	(MIFZE)	UAE	100	Subsidiary
Mukand Bekaert Wire Industries Pvt. Ltd.		India	26	74:26 Joint Venture
Mukand Vini Mineral Pvt. Ltd.	(MVMPL)	India	48.81	48.81:51.19 Joint Venture
Mukand Engineers Ltd.	(MEL)	India	36.11	Associate
Bombay Forgings Ltd.	(BFL)	India	24.00	Associate
Stainless India Ltd.	(SIL)	India	48.30	Associate

2. Significant accounting policies and notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.
3. Intra-group balances, intra-group transactions and unrealised profits have been eliminated in preparing these accounts.
4. The excess of the cost to the Parent Company of its investments in each of the subsidiaries and associates over its share of equity in the respective subsidiary/associate, on the acquisition date, is recognised in the financial statement as goodwill and amortized over a period of five years. However, such excess or deficit arising after the acquisition date on account of currency fluctuation in respect of foreign subsidiaries is transferred to Currency Fluctuation Reserve.
5. Statement of significant accounting policies and practices.

a) Basis of Accounting :

The Financial Statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles, the applicable mandatory Accounting Standards and the relevant provisions of the Companies Act, 1956.

b) Recognition of Income and Expenditure:

- i) Revenues/incomes and costs/expenditure are generally accounted on accrual as they are earned or incurred.
- ii) Sale of Goods is recognized on transfer of significant risks and rewards of ownership which is generally on the dispatch of goods. Export Sales are accounted for on the basis of dates of "On Board Bill of Lading".
- iii) Revenue for long term engineering contract work executed (including supplies and services) is recognized on the basis of percentage completion method.
- iv) MGFL follows the prudential norms for income recognition and provisioning for bad and doubtful debts and other non-performing assets as prescribed by the Reserve Bank of India, for Non-Banking Finance Companies.

c) Fixed Assets

All fixed assets except leasehold land are stated at cost less accumulated depreciation (other than free hold land for which no depreciation is provided). However, fixed assets, which are revalued by Mukand are stated at their revalued book values.

d) Method of Depreciation and Amortisation:

- i) Depreciation on fixed assets is provided :
 - By Indian companies – on own assets: On SLM method and at rates under the Companies Act, 1956.
 - By the foreign subsidiaries – on methods and at rates applicable under local laws or at such rates so as to write-off the value of assets over its useful life.
- ii) Cost of Leasehold land is amortized over the period of lease.
- iii) Cost of technical know-how capitalized is amortized over the period of agreement or six years whichever is lower.
- iv) Cost of software acquired is amortized over a period of 3 years.

e) Investments:

Long term Investments are stated at cost of acquisition or book value; book value being arrived at after adjusting provisions for diminution in values of each investment individually, provided, such diminution is not temporary. While disposing of a part of the holding of an individual investment, the carrying amount allocated to that part is determined on the basis of average carrying amount of the total marketable holding of the investment. Current investments are stated at lower of cost of acquisition and fair value.

f) Valuation of inventories :

- i) The inventories resulting from intra-group transactions have been stated at cost by eliminating unrealized profit on such transactions.
- ii) Inventories are stated 'at cost or net realisable value whichever is lower'. Construction materials are valued at cost less amount written off over its estimated useful life. Materials in transit are valued at cost-to-date.
- iii) Inventories of shares/other securities are valued at lower of aggregate cost as compared to aggregate market value for each category of inventories.
- iv) Cost comprises of all cost incurred in bringing the inventories to their present location and condition including excise duty payable on goods produced. Cost formulae used are either 'first-in, first-out or average cost' as applicable. Due allowance is estimated and made for defective and obsolete items, wherever necessary, based on the past experience.

g) Foreign Currency Translations :

For the purpose of consolidation, the amounts appearing in foreign currency in the financial statements of the foreign subsidiaries are translated at the following rates of exchange:

- Average rates for the income and expenditure except depreciation which is at the year end rate.
- The year end rate for the assets and liabilities.

h) Foreign Currency Transactions by Indian Companies:

- i) All transactions in foreign currency, are recorded at the rates of exchange prevailing as at the date of the transaction.
- ii) Monetary assets and liabilities in foreign currency, outstanding at the close of the year, are converted in Indian currency at the appropriate rates of exchange prevailing at the close of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

year. The resultant gain or loss is accounted for during the year.

- (iii) In respect of forward exchange contracts entered into towards hedge of foreign currency risks, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expenditure over the life of the contract. Further, the exchange differences arising on such contracts are recognised as income or expenditure along with the exchange differences on the underlying assets/liabilities. Profit or Loss on cancellations/renewals of forward contracts is accounted for during the year.

- i) In accordance with the approval obtained by MIL from the Inland Revenue Department, the currency of accounting of MIL was changed from GBP to USD from 1.4.1997.

j) Employee Benefits :

(a) Short Term Employee Benefits

Short term employee benefits are recognised as expenditure at the undiscounted value in the Profit and Loss Account of the year in which the related service is rendered.

(b) Post Employment Benefits

i) Defined Contribution Plans :

Mukand's contribution to the superannuation scheme, pension under Employees' Pension Scheme, 1995 etc are recognised during the year in which the related service is rendered.

ii) Defined Benefit Plans :

Gratuity :

Gratuity liability of Mukand is covered under the Gratuity-cum-Insurance Policy of Life Insurance Corporation of India (LIC) by Mukand Employees' Gratuity Fund. The present value of the obligation is determined based on an actuarial valuation, using the Projected Unit Credit Method. Actuarial gains and losses arising on such valuation are recognised immediately in the Profit and Loss Account. The amount funded by the Trust administered by Mukand under the aforesaid Policy, is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on a net basis.

Provident Fund :

Monthly contributions are made to a Trust administered by Mukand. The interest rate payable by the Trust to the beneficiaries is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on investments of the Trust and the notified interest rate.

- (c) Long term compensated absences are provided on the basis of actuarial valuation.

(d) Termination Benefits :

Termination Benefits are charged to Profit and Loss Account in the year of accrual.

k) Accounting for taxes on Income:

• Indian Companies

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Minimum Alternate Tax (MAT) eligible for set-off in subsequent years (as per tax laws), is recognized as an asset by way of credit to the Profit and Loss Account only if there is convincing evidence of its realisation. At each Balance Sheet date, the carrying amount of MAT Credit Entitlement receivable is reviewed to reassure realisation. The deferred tax asset and deferred tax liability is calculated by

applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one year and which differences are capable of reversal in one or more subsequent years. Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realisation.

• Foreign Subsidiaries

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

l) Impairment of Assets :

The Carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/ external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

m) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Financial Statements. Contingent Assets are neither recognized nor disclosed in the Financial Statements.

6. Revaluation:

Mukand :

Free-hold land at Kalwe / Dighe, Thane as at 30.6.1983 was revalued as at 30.6.1984. To reflect the current fair market value, Mukand further revalued the freehold land at Kalwe as at 31.3.2001 during November, 2001. The registered valuer had carried out the valuation on the basis of the then market value of this land. The addition to assets on account of this revaluation, aggregating Rs.1,143,588,433/- was correspondingly credited to the Revaluation Reserve during the year ended 31st March, 2002. Mukand has further revalued the aforesaid land as at 31.3.2009 and an amount aggregating Rs.12,123,691,000/- has been added to assets and correspondingly credited to the Revaluation Reserve as at 31.3.2009.

7. (i) Mukand was allotted leasehold land at Trans -Thane Creek Industrial Area, Dighe, at a provisional occupancy price of Rs.20,400,000/- by Maharashtra Industrial Development Corporation (MIDC). The Order of the Court at Thane by which partial refund of Rs.5,400,000/- was granted to Mukand was under appeal by MIDC in the Bombay High Court. As per consent terms signed on 4th April, 2009 between MIDC and Mukand, a total price of Rs.90,000,000/- is paid for the said leasehold land. The Hon'ble Court has passed an Order dated 15th April, 2009 and Mukand has paid Rs.69,600,000/- on 7th May, 2009, being the balance amount. The accounting effect of this transaction has been given during FY2008-09.
- (ii) Fixed assets include net book value of assets at Ginigera Steel Plant aggregating Rs.16,000,000/- which have been retired from active use and are held for disposal as tabulated hereunder. The said net book value is on the basis of realisable value as per valuation report of an approved valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Assets held for disposal

Description	Rs. 000			
	As at 1.4.2009	Depreciation as at 31.3.2010	Loss on discard written-off during FY 2009-10	Net Block as at 31.3.2010
Plant & Machinery	42,952	18,952	8,000	16,000

(iii) Borrowing costs on long term funds whenever replaced by current short-term borrowings by Mukand is capitalized to qualifying asset as and when the borrowings are utilized for capital expenditure.

8. Loans, Advances, Debts, Investments etc.

(a) Mukand has investments of Rs.1,929,600/- in equity shares of Bombay Forgings Limited (BFL), and also has debts amounting to Rs.803,335,561/- (Net of recoveries of Rs.161,554,790/-) (collectively referred to as 'Exposures') due from BFL whose net worth has turned positive and BFL is no longer a sick industrial company. BFL has discharged BFL from the purview of provisions of SICA. The management, considering its long term view on the 'Exposures' relies upon the valuation of unencumbered assets of BFL as at 31st January, 2010 which is at Rs.567,261,000/- and barring any significant uncertainties in future, relies upon the earnings from the ongoing business of BFL. It considers the 'Exposures' to be 'Good' at the close of the year and adequately covered, and expects full realisability of the same in future, upon which, the Auditors have placed their reliance.

(b) MGFL has investments aggregating Rs.247,200,000/- in Preference Shares and has loans and interest dues aggregating to Rs.923,547,759/- recoverable from investment companies. The net worth of these companies has eroded. These loans have been renewed for further periods. MGFL has fully provided during FY2007-08 for a diminution in the value of investments in Fusion Investments and Financial Services Limited amounting to Rs.49,440,000/-. VCL has loans and interest dues aggregating Rs.517,530,714/- recoverable from these investment companies. The management believes that ultimate losses that may result on account of these loans will depend upon the amount that would be realised from the financial assets of these companies. Under the circumstances, being unable to make an informed judgment, the Auditors have relied upon the judgment of the management.

(c) Mukand / MGFL has an investment of Rs.136,758,608/- in equity shares of Stainless India Limited (SIL). For the purpose of Consolidation of Accounts, the said value of investment has been reduced to Rs. Nil by accounting for share of post acquisition losses.

VCL has loans aggregating Rs.396,600,000/-. VCL has not provided for interest on these loans as a matter of financial prudence for FY2007-08, FY2008-09 and FY2009-10. SIL has not adhered to repayment of the loan as agreed in the undertaking given by SIL to pay the amount of loan as per the repayment schedule.

Mukand has also trade debts Rs.153,432,237/- (including considered doubtful and provided during an earlier year Rs.144,980,561/-), loans outstanding aggregating Rs.4,000,000/- granted during the year (net of recoveries) and has trade advances/interest receivable, aggregating Rs.774,538,869/- (including granted during the year (net) Rs.26,303,524/- and doubtful and provided during an earlier year Rs.200,000,000/-).

The Net-worth of SIL has eroded. Although, the 'Exposures' in SIL have increased, the management has recognised fully the diminution in value of investments and has made no further provision of balance 'Exposures' in SIL. The management, barring any significant uncertainties, relies upon the estimated realisable values of unencumbered assets of SIL, based on which the management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered and expects full realisability of the same in future, upon which, the Auditors, being unable to make an informed judgment, have placed their reliance.

MGFL has also purchased a fully secured debt of SIL of Rs.279,955,000/- as per Deed of Assignment executed by IDBI in favour of MGFL on 29th April, 2008 for a consideration of Rs.125,000,000/-. MGFL has made a provision for Non Performing Assets amounting to Rs.62,500,000/- in respect of these dues from SIL in accordance with the guidelines for purchase of Non Performing Assets and prudential norms prescribed by Reserve Bank of India.

The management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered and expects full realisability of the same in future, upon which the Auditors, being unable to make an informed judgement, have placed their reliance.

(d) i) Details of loans and advances in the nature of loans recoverable from associates and shares held by loanees (stipulated under clause 32 of the listing agreement with Stock Exchanges).

Name of the Party	Outstanding amount		Maximum amount during the Year	
	As at 31.3.2010	As at 31.3.2009	2009-10	2008-09
i) Lineage Investments Ltd.	361,746	276,931	361,746	276,931
ii) Catalyst Finance Ltd.	114,621	232,629	232,629	232,629
iii) Econium Investments & Finance Ltd.	163,528	208,861	208,861	208,861
iv) Fusion Investments & Financial Services Ltd.	424,846	270,088	424,846	270,088
v) Primus Investments & Finance Ltd.	139,363	180,854	180,854	180,854
vi) Conquest Investments & Finance Ltd.	168,891	206,297	206,297	206,297
vii) Stainless India Ltd.	525,600	521,600	531,850	521,600
viii) Bombay Forgings Ltd.	—	—	—	2,000

ii) Equity Shares held by the loanees in the capital of Mukand:

Name of the Loanee	No. of shares held by Loanee		Maxi. no. of shares held by Loanee during the year	
	As at 31.3.2010	As at 31.3.2009	2009-10	2008-09
i) Lineage Investments Ltd.	638,500	664,000	664,000	664,000
ii) Catalyst Finance Ltd.	623,660	647,160	647,160	647,160
iii) Econium Investments & Finance Ltd.	356,260	391,760	391,760	391,760
iv) Fusion Investments & Financial Services Ltd.	825,680	825,680	825,680	825,680
v) Primus Investments & Finance Ltd.	342,865	366,365	366,365	366,365
vi) Conquest Investments & Finance Ltd.	288,320	288,320	288,320	288,320

iii) Preference Shares held by the loanees in the capital of Mukand:

Name of the Loanee	No. of shares held by Loanee		Maxi. no. of shares held by Loanee during the year	
	As at 31.3.2010	As at 31.3.2009	2009-10	2008-09
i) Lineage Investments Ltd.	166,000	166,000	166,000	166,000
ii) Catalyst Finance Ltd.	161,790	161,790	161,790	161,790
iii) Econium Investments & Finance Ltd.	97,940	97,940	97,940	97,940
iv) Fusion Investments & Financial Services Ltd.	206,420	206,420	206,420	206,420
v) Primus Investments & Finance Ltd.	91,591	91,591	91,591	91,591
vi) Conquest Investments & Finance Ltd.	72,080	72,080	72,080	72,080

(e) MGFL has given loans to and invested in shares of certain companies which as at 31st March, 2010, are in excess of the limits specified for single borrower/investee under the Non Banking Financial (Non-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. MGFL is in the process of taking adequate steps to bring down the excess concentration of the aforesaid exposures within the prescribed ceiling specified under paragraph 18 of the said directions.

(f) VCL has entered into a development agreement for its land at Vidyavihar for a consideration of residential flats to be made available to VCL at the developer's own cost and an additional consideration as compensation payable for Government dues. During FY2005-06, VCL received Rs.230,000,000/- against such compensation and similarly has received during FY2008-09 an amount of Rs.21,369,980/-. Advances received against reservation / allotment of flats and deposits received in this regard has been included in the current liabilities. Moreover, the developer is to acquire at developer's own cost by way of externally procured TDR subject to payment of additional consideration of Rs.250,000,000/- to VCL, which accrued during FY2008-09 together with interest thereon. During the year VCL has filed a winding up petition in the High Court of Bombay against the Developer for recovery of this additional consideration (including interest), which is pending admission in the Court. As per the accounting policy on income recognition consistently followed by VCL, the said amounts will be accounted for in the year in which the possession of constructed flats is handed and the sale of land is completed.

(g) Investments in Equity Shares of Associates:

Sr. No.	Name of the Associate	Rs.'000	
		As at 31.3.2010	As at 31.3.2009
i)	Mukand Engineers Limited Including Goodwill of Rs.79,883 thousands.	197,806	197,806
	Share of post acquisition accumulated Profits/Reserves	39,296	24,866
	Share of current Profit	29,582	14,430
		<u>266,684</u>	<u>237,102</u>
ii)	Stainless India Limited Including Goodwill of Rs.70,161 thousands.	136,759	136,759
	Share of post acquisition accumulated Losses	(136,759)	(136,759)
	Share of current (Loss)	—	—
		<u>—</u>	<u>—</u>
iii)	Bombay Forgings Limited	1,929	1,929
	Share of post acquisition accumulated Profits	83,774	83,544
	Share of current Profit	1,467	230
	Less : Provision for diminution in value of investments	78,478	78,478
		<u>8,692</u>	<u>7,225</u>

Note : Share of current profit in Associate Companies is after considering exceptional and prior period items.

9.(a)	Contingent Liabilities not provided for:	31.3.2010 31.3.2009	
		Rs.'000	Rs.'000
i)	Disputed matters in appeal/contested in respect of:		
	- Income Tax	389,223	370,397
	- Excise Duty, Customs Duty etc.	27,231	29,688
	- Sales Tax, Works Contract Tax etc.	141,189	146,141
	- Other matters	5,934	5,934
ii)	Claims against the Company not acknowledged as debts	168,383	79,702
iii)	Bills discounted with the Bankers and others - Sale Bills discounted	132,170	133,636

	31.3.2010	31.3.2009
	Rs.'000	Rs.'000
iv) Guarantees and Counter guarantees given on behalf of :		
- Associates	—	—
- Others	517,539	791,818
v) Bonds / Undertakings given by Mukand under concessional duty/ exemption to Customs / Excise Authorities (Net of redemption applied for)	6,569	6,569
vi) Bonds given by Mukand against import of machinery under EPCG Scheme	256,004	212,904
vii) Share in the contingent liabilities of Associates	37,171	27,582
viii) Share in the contingent liabilities of Joint Ventures	1,157	—
ix) Proportionate liability to Mukand that may arise on account of loss on realisation of assets in terms of the agreement and out of pending litigations referred in the agreement for sale of shares of Kalyani Mukand Ltd. in which Mukand held 25% of the share capital – Amount not ascertained at present. In the matter of pending litigations, the arbitral tribunal has given an award. The said award has been challenged in the High Court. After close of the year, the High Court at New Delhi has upheld the award with certain modifications. No liabilities devolve on Mukand.		
x) The Lenders of Mukand have a right to recompense upto 12% per annum in excess of the effective IRR charged in Financial Restructuring Package for 8 years commencing from July 2003.		
xi) Mukand has implemented the award given by the Industrial Tribunal in the matter relating to emoluments to staff and officers. The said award is under challenge in the High Court of Bombay by way of a Writ Petition, and is pending disposal. Demand for Annual Bonus for the financial years 1995-96 to 2006-07 by Staff and Officers' Association of Mukand is pending at different stages in proceedings under The Industrial Disputes Act, 1947. Bulk of these employees are statutorily not covered by The Payment of Bonus Act, 1965 and many of the employees are also not covered by The Industrial Disputes Act, 1947. Liability arising therefrom cannot therefore, be determined at present. A charter of demands raised by the Union is pending with the appropriate authority and therefore, amount payable if any, is not ascertainable at present.		
xii) Government of Maharashtra has served a Demand Notice on Mukand for payment of electricity duty for power generated during the period 1.4.2000 to 30.4.2005 and penal interest thereon in Mukand's Captive Power Plant amounting to Rs.142,743,646/-. The Writ Petition filed by Mukand is disposed by the Hon'ble Bombay High Court on 7th November, 2009 quashing the said Demand Notice. Government of Maharashtra, has however, filed an Appeal in the Supreme Court of India against the aforesaid judgment of High Court.		
xiii) Under provisions of an Order dt. 16th August, 2006 issued by the Maharashtra Electricity Regulatory Commission (MERC), it is mandatory for Mukand's grid synchronised captive power plant to use a minimum of 4% renewable energy like wind power, co-generation etc. in its total consumption of energy generated from its own captive power plant with effect from FY 2007-08. Similarly, for FY 2008-09, the said percentage is 5% and for FY2009-10 it is 6%. In response to several petitions, MERC has permitted compliance of this requirement on a cumulative basis for three years viz., FY 2007-08 to FY 2009-10. Accordingly, Mukand has already purchased 6,487,016 Kwh and given in the grid of Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) which holds/held these units to the credit of Mukand's		

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account. The balance of units to be purchased and given to MSEDCL for FY 2007-08, FY2008-09 and FY 2009-10 aggregate 6,570,698 Kwh. No demand is raised on Mukand in this connection, as the matter is under review by MERC.

(b) There have been delays in payment of tax deducted at source by Mukand in earlier years and also in FY2009-10. Interest payable on delays has been accounted for in respect of cases where appropriate orders have been received from Income Tax authorities.

10. A claim towards difference in price of calibrated iron ore for the period 1st April, 2006 to 28th February, 2007 amounting to Rs.330,678,120/- has been raised by a supplier on Mukand in March 2007. Mukand has been legally advised that the supplier cannot seek this price revision under a concluded agreement and hence no provision is made in the Accounts for the same. The issue is referred to an arbitral tribunal, whose award is awaited. Moreover, the said supplier has also unilaterally increased the price of iron ore w.e.f. 1st April, 2007 and thereafter w.e.f. 1st April every year. This issue too is to be settled by the aforesaid arbitral tribunal. However, pending such determination of final price, the supplier has raised invoices at an ad-hoc interim price on the marketing contractor who in turn has billed Mukand at this price and which liability, has been fully accounted for.

	31.3.2010 Rs.'000	31.3.2009 Rs.'000
11. a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	176,132	374,748
b) Future Rental obligations in respect of premises taken on lease.		Rs.'000
1. For a period not later than one year.		5,917
2. For a period later than one year and not later than five years.		4,070
3. For a period later than five years.		—
Total		9,987

12.a) Disclosure regarding Income from Engineering Contracts of Mukand :

	Rs.'000
(i) The amount of Contract revenue recognised as revenue during the year.	285,394
(ii) The aggregate amount of costs incurred and recognised profits (less recognised losses) upto 31.3.2010.	7,537,814
(iii) The amount of advances received (Gross)	—
(iv) The amount of retentions (included in sundry debtors) (net balance)	—

b) The management has, keeping in view the accounting policy adopted by Mukand technically determined the realisable value of Accumulated Direct Costs (including incidental income by way of disposal of plant and equipment at the end of the contract) compared to reliable revenues and claims raised by the Company in respect of its Road Construction Contracts. Although the outcome of the Road Construction activity cannot be estimated with reliability at present, it is the opinion of the management that in view of the substantially large claims by Mukand aggregating Rs.1,191,933,000/- for incremental jobs executed, escalations and time over-runs, losses currently expected are already recognized till the close of the year. Since realization of these claims is a judgmental matter, on which auditors are not able to make an informed judgment, the auditors have placed reliance on the Management's judgment of losses currently expected, realisability of claims which is expected to be settled by 30th September, 2011 and determination of the period in which further losses if any, should be entirely recognized and fully expensed.

13. Mukand had entered into an agreement dated 31st March, 1998 to sell 500,000 Equity shares of Rs.10/- each of Kalyani Mukand Ltd., for an aggregate consideration of Rs.69,375,000/-. Under the terms of the

said agreement, the sale of shares was based on certain conditions to be complied with subsequent to sale, and which conditions have been fulfilled.

Since the sale and transfer of the shares were considered to be legally complete upon execution of the Agreement of Sale of shares, Mukand had taken credit for the consideration aggregating Rs.69,375,000/-, during the Accounting Year 1997-98. Mukand has, upto the close of the Accounting Year 2009-10, received amounts aggregating Rs.39,971,860/- against the aggregate consideration of Rs.69,375,000/-.

14. Mukand had, during the Financial Year 1998-99, entered into a strategic alliance with Kalyani Steels Limited to set-up a steel plant to be operated by a Company – Hospet Steels Limited.

Expenses and liabilities arising out of this alliance to Hospet Steels Limited are shared on the basis stipulated in the relevant Agreements, and its accounting in the books of Mukand is carried out, accordingly. Therefore, for the purposes of CFS, Hospet Steels Ltd. has not been included.

Wherever, due to the terms of the alliance, estimations are required to be made in respect of expenses, liabilities, production, etc., the same have been relied upon by the auditors, being technical matters.

15. Effect and Progress of Restructuring Package

In terms of the Financial Restructuring Package (FRP) for Mukand approved by the Corporate Debt Restructuring Cell in July 2003 and April 2009, the terms of security, redemption and conversion have been rescheduled. A separate disclosure is made hereunder to explain the same, as also the progress made so far :

- Promoters / Associates of Mukand have pledged 11,426,514 equity shares in Mukand and 546,652 cumulative redeemable preference shares out of their share-holding in Mukand.
- Pledge of Promoters' holding of shares of Bajaj Auto Limited to the tune of Rs.176 million.
- Mukand shall ensure balance realization of non-core assets and investments aggregating Rs.1,170 million (net of amounts realized till 31.3.2010) over a specified time schedule ending on 30th September, 2010.
- Debts of about Rs.118 million were to be converted into equity. CDR has waived this condition on Mukand repaying debt along with interest @ 18% per annum compounded on quarterly basis w.e.f. 1st April 2002. Mukand has repaid the said debt along with interest during FY2009-10.

The principal term debt would be repaid in 144 monthly installments commencing from April 2006 and ending in March, 2018 with a pre-determined ballooning schedule. During April 2009 CDR Cell approved deferment of principal amount due for payment aggregating Rs.1,190 million during the period of 18 months commencing from 1st April, 2009 and ending on 30th September, 2010. The total loan amount is now rescheduled to be paid during FY2010-11 to FY2014-15 without any increase in the rate of interest. Mukand has improved its operations as well as the resultant cash flows. Based on an assessment of its financial commitments and the estimated cash flows, the management is confident of meeting all its financial commitments in the foreseeable future.

- Interest / lease rentals payable on all the principal term debt for the period from 1st April, 2002 to 30th September, 2004 have been converted into Future Funded Interest Term Loan (FFITL) and would be repaid in 96 installments commencing from April 2005 and ending in March, 2013 with a ballooning schedule. Installments due during the year have been paid.
- Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charge in FRP for 8 years, commencing from July 2003.
- In the event of default, as defined in the restructuring package, the lenders have the right to cancel, suspend, reduce or modify all or any of the relief and concessions or vary the terms and conditions thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

16. Segment Information for the year ended 31st March, 2010

A. Business Segment:							Rs. '000
Particulars	Steel	Industrial Machinery	Road Const- ruction	Others	Elimina- tions	Total	
Segment Revenue:							
External Revenue	18,005,714	3,176,629	285,394	86,147	—	21,553,884	
Inter-Segment Revenue	—	18,103	—	162	(18,265)	—	
Total Revenue	18,005,714	3,194,732	285,394	86,309	(18,265)	21,553,884	
Less: Excise Duty						1,599,343	
Net Revenue						19,954,541	
Segment Results before interest and tax:							
	1,627,270	735,371	(198,631)	(37,492)	—	2,126,518	
Inter Segment Margin	—	330	—	6,626	(6,956)	—	
Total Segment Results before interest and tax:							
	1,627,270	735,701	(198,631)	(30,866)	(6,956)	2,126,518	
Less: Unallocated Expenses (net of Income)						(27,641)	
Add: Share of Profit in Associates						31,049	
Less: Finance and Lease Charges						(1,530,218)	
Less: Exceptional Items (net) (Including share in Associates)						(8,000)	
Less: Tax Expenses (net)						(4,169)	
Add: Excess Provision for tax						1,174	
Net Profit						588,713	
Other Information							
Segment Assets	32,800,895	4,574,735	2,059,648	1,170,797	(14,292)	40,591,783	
Un-allocated Assets						3,225,830	
Total Assets						43,817,613	
Segment Liabilities	4,803,274	1,535,452	132,739	1,858,539	(170,529)	8,159,475	
Un-allocated Liabilities (Including Loan Funds)						17,792,612	
Total Liabilities						25,952,087	
Capital Expenditure							
Segment Capital Expenditure	591,596	12,511	330	65	—	604,502	
Un-allocated Capital Expenditure						645	
Total Capital Expenditure						605,147	
Depreciation & Amortisation							
Segment Depreciation & Amortisation	583,298	19,175	34,428	370	—	637,271	
Un-allocated Depreciation & Amortisation						6,007	
Total Depreciation & Amortisation						643,278	
Significant Non-Cash Expenditure							
Segment Non-Cash Expenditure	4,973	20,248	173	26,114	—	51,508	
Un-allocated Non-Cash Expenditure						6,039	
Total Significant Non-Cash Expenditure						57,547	

Notes:

1. Finance and Lease Charges excludes interest charged to Segment Results (net of eliminations) Rs.97,151,684/-.
2. Segment Result is after adjusting prior period items.
3. Share of Profit in Associates is after considering prior period items.

B. Geographical Segment:				Rs. '000
Particulars	India	Rest of the World	Total	
Segment Revenue	20,569,787	984,097	21,553,884	
Carrying cost of Segment Assets	40,413,890	177,893	40,591,783	
Additions to Fixed Assets & Intangible Assets	604,340	162	604,502	

16. Segment Information for the year ended 31st March, 2009

A. Business Segment:							Rs. '000
Particulars	Steel	Industrial Machinery	Road Const- ruction	Other Products	Elimina- tions	Total	
Segment Revenue:							
External Revenue	18,672,860	2,520,583	376,614	129,206	—	21,699,263	
Inter-Segment Revenue	—	151,964	—	6,125	(158,089)	—	
Total Revenue	18,672,860	2,672,547	376,614	135,331	(158,089)	21,699,263	
Less: Excise Duty						2,313,276	
Net Revenue						19,385,987	
Segment Results before interest and tax:							
	(1,057,001)	676,799	(303,147)	(5,968)	—	(689,317)	
Inter Segment Margin	—	19,833	—	(2,038)	(17,795)	—	
Total Segment Results before interest and tax:							
	(1,057,001)	696,632	(303,147)	(8,006)	(17,795)	(689,317)	
Add: Unallocated Income (net of Expenses)						2,796	
Add: Share of Profit in Associates						14,660	
Less: Finance and Lease Charges						(1,356,856)	
Less: Exceptional Items (net) (Including share in Associates)						(9,376)	
Add: Tax Savings (Net of Tax Expenses)						577,089	
Add: Excess Provision for tax						3,004	
Net Loss						(1,458,000)	
Other Information							
Segment Assets	30,624,401	4,343,318	2,147,638	1,457,473	—	38,572,830	
Un-allocated Assets						2,673,299	
Total Assets						41,246,129	
Segment Liabilities	5,675,870	1,560,460	155,188	2,089,413	(483,631)	8,997,300	
Un-allocated Liabilities (Including Loan Funds)						14,874,168	
Total Liabilities						23,871,468	
Capital Expenditure							
Segment Capital Expenditure	1,211,401	30,267	96	32	—	1,241,796	
Un-allocated Capital Expenditure						493	
Total Capital Expenditure						1,242,289	
Depreciation & Amortisation							
Segment Depreciation & Amortisation	526,653	11,819	39,505	566	—	578,543	
Un-allocated Depreciation & Amortisation						6,000	
Total Depreciation & Amortisation						584,543	
Significant Non-Cash Expenditure							
Segment Non-Cash Expenditure	520	857	276	37,500	—	39,153	
Un-allocated Non-Cash Expenditure						—	
Total Significant Non-Cash Expenditure						39,153	

Notes:

1. Finance and Lease Charges excludes interest charged to Segment Results (net of eliminations) Rs.67,158,024/-.
2. Segment Result is after adjusting prior period items.
3. Share of Profit in Associates is after considering prior period items.

B. Geographical Segment:				Rs. '000
Particulars	India	Rest of the World	Total	
Segment Revenue	19,973,985	1,725,278	21,699,263	
Carrying cost of Segment Assets	38,500,122	72,708	38,572,830	
Additions to Fixed Assets & Intangible Assets	1,241,731	65	1,241,796	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

16. Segment Information (Contd.)

(C) Other Disclosures :

1. Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organizational structure as well as the differential risk and returns of these segments.
2. Business segment has been disclosed as primary segment.
3. Types of products and services in each business segment:
 - i) Steel – billets, blooms, rounds, wire rods, bars, rods and sections, bright bars and wires of special & alloy steel and stainless steel.
 - ii) Industrial Machinery - EOT and other cranes, steel structurals, material handling equipment, processing plant and equipment, etc.
 - iii) Long Term Engineering Contracts - Road Construction.
 - iv) Others -- Comprise Segments of property development, income from operations of Non-banking Financial Activities.

The segments as reported above include trading activity of the respective segments.

4. Inter segment revenues are recognized at sales price/cost.
5. The Segment Information include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

17. a) Exceptional Items shown in the Profit and Loss Account:

Expenditure:	2009-10 Rs.'000	2008-09 Rs.'000
(i) Irrecoverable interest written off	—	5,927
(ii) Other advances written-off	—	5,495
(iii) Loss on discard of assets	<u>8,000</u>	—
Total	<u>8,000</u>	<u>11,422</u>
Income:		
(i) Bad Debts/Bad Advances/Doubtful Debts which were written-off/provided earlier recovered during the year.	—	2,046
Total	—	<u>2,046</u>
Net Total	<u>8,000</u>	<u>9,376</u>
b) Prior period adjustments' represents:		
(i) Debit relating to earlier years	1,049	64
(ii) Credit relating to earlier years	(408)	(244)
(iii) Depreciation adjustments (Net)	(20)	14,852
(iv) Share in Associates / Joint Venture	<u>7,031</u>	<u>(27)</u>
Total	<u>7,652</u>	<u>14,645</u>

18. Related Party Disclosures:

(a) Relationship :

- (i) Related parties where control / significant influence exists :
Mukand Engineers Ltd., Bombay Forgings Ltd., Stainless India Ltd., Hospet Steels Ltd., Kalyani Mukand Ltd., Lineage Investments Ltd., Catalyst Finance Ltd., Econium Investments & Finance Ltd., Fusion Investments & Financial Services Ltd., Primus Investments & Finance Ltd., Conquest Investments & Finance Ltd., Jamnala Sons Pvt. Ltd., Mukand Bekaert Wire Industries Pvt. Ltd., Mukand Vini Mineral Pvt. Ltd.
- (ii) Key Management Personnel :
Niraj Bajaj, Rajesh V. Shah, Suketu V Shah.
- (iii) Relatives of key management personnel and enterprises in which significant influence can be exercised by persons at (ii) above or their relatives where transactions have taken place :
Viren J Shah, Bansri R Shah.

Note : Related party relationship is as identified by Mukand and relied upon by the Auditors.

(b) Details of transactions with the related parties referred in (a) above:

Nature of transactions	Rs.'000		
	Related parties as referred in		
	a (i) above	a (ii) above	a (iii) above
1 Purchases:			
• Raw Material	42,322		
	(43,698)		
• Stores	1,542		
	(6,145)		
• Semi Finished goods	—		
	(78,584)		
• Fixed Assets	1,166		
	(—)		
2 Sales:			
• Stores	—		
	(5,025)		
• Semi Finished/Finished Goods	278,378		
	(206,521)		
3 Expenditure:			
• Rent	690		
	(180)		
• Interest paid	29,438		
	(38,319)		
• Sub-Contracting Expenses	42,077		
	(26,073)		
• Service Charges	114,430		
	(12,299)		
• Share of expenses under an alliance	178,711		
	(194,987)		
• Remuneration		15,644	2,858
		(9,679)	(1,774)
• EDP Data Processing Services	45,000		
	(44,250)		
• Equipment Hire charges	—		
	(952)		
• Conversion charges	84		
	(—)		
• Advances written off	—		
	(5,497)		
• Irrecoverable interest written off	—		
	(5,927)		
• NPA provided	25,000		
	(37,500)		
• Provision for diminution in the value of investments	—		
	(136,759)		
4 Income:			
• Rent	792		
	(804)		
• Interest received	73,563		
	(75,950)		
• Service Charges	300		
	(1,641)		
• Conversion/Machining Charges	—		
	(6,566)		
• Other miscellaneous	463		
	(423)		
• Bad Debts recovered	—		
	(5,925)		
5 Other payments:			
• Reimbursement of expenses	22		
	(168)		
• Reimbursement of expenses on account of deputation of employees	—		
	(112)		
6 Other receipts:			
• Reimbursement of expenses	4,692		
	(6,512)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Nature of transactions	Rs.'000		
	Related parties as referred in		
	a (i) above	a (ii) above	a (iii) above
7 Investments, Finance & Advances:			
• Loans repaid by Loanees	464,678		
	(89,611)		
• Loans taken	320,550		
	(425,550)		
• Loans/Advances given	567,554		
	(514,675)		
• Loans repaid (including interest)	572,648		
	(523,326)		
• Investment in shares	12,364		
	(55,613)		
• Application money for shares	645		
	(8,700)		
8 Outstanding balances at the close of the year:			
• As debtors	977,929		
Less : Provision for doubtful debts	144,981		
Debtors (net of provision)	832,948		
	(859,601)		
• As Creditors	37,819		
	(25,715)		
• Loans & Advances- Receivables (incl. Interest)	2,741,218		
Less : Provision for doubtful advances	262,500		
Loans & Adv. (net of provision)	2,478,718		
	(3,388,289)		
• Loans & Advances- Payables (incl. Interest)	—		
• Property Deposit given	1,800		
	(—)		
• Property Deposit taken	650		
	(650)		
• For reimbursement of expenditure- Receivable	1,125		
	(1,285)		
• Term Loan incl. Interest	160,760		
	(170,294)		
• Guarantees given by Mukand	49,000		
	(49,000)		
• Counter Guarantees given on behalf of Mukand	60,000		
	(60,000)		
• Collateral given on behalf of Mukand	**	***	
	(**)	(***)	

Figures in bracket relate to previous year.

** 3,869,089 Equity Shares and 546,652 Cumulative Redeemable Preference Shares of Mukand.

*** 3,869,089 Equity Shares of Mukand.

19. Computation of Profit/(Loss) for Earnings per Share:

	2009-10 Rs.'000	2008-09 Rs.'000
Profit/(Loss)	588,713	(1,458,000)
Less : Preference Share Dividend and tax thereon	7	7
Profit/(Loss) including exceptional items attributable to Equity Shares	588,706	(1,458,007)
Exceptional items (Net of tax)	8,000	9,376
Profit/(Loss) excluding exceptional items attributable to Equity Shares	596,706	(1,448,631)

20. Deferred Taxation:

a) Mukand

Components of Deferred tax assets/liabilities are as under:

	As at 31.3.2009 Rs'000	Charge / (Credit) for the year 2009-10 Rs.'000	As at 31.3.2010 Rs'000
Deferred Tax			
Deferred Tax liability on account of:			
a) Depreciation	1,187,248	59,706	1,246,954
b) Others	179,926	(24,094)	155,832
	1,367,174	35,612	1,402,786
Deferred Tax Asset on account of:			
a) Employee benefits, etc.	77,844	(8,621)	86,465
b) Taxes, Duties, Cess, Interest to Banks/FIs, etc.	376,472	60,702	315,770
c) Provision for doubtful debts	221,934	9,955	211,979
d) Unabsorbed Depreciation/ Business Loss, etc.	655,854	(111,808)	\$767,662
e) Others	35,070	14,160	20,910
	1,367,174	(35,612)	1,402,786

Net Deferred Tax Liability

-- -- --

\$ Deferred tax asset aggregating to Rs. 24,764,000/- has not been recognised, considering the principle of virtual certainty as stated in the Accounting Standard AS-22 - Accounting for taxes on Income.

b) MGFL

Particulars	As at 31.3.2009	Charge/ (Credit) for the year 2009-10	Rs.'000
			As at 31.3.2010
Deferred Tax Assets on account of :			
Depreciation	--	--	--
Provision for Employee Benefits	205	46	159
	205	46	159
Deferred Tax Liability on account of :			
Depreciation	108	(16)	92
Net Deferred Tax Asset	97	30	67

c) MIL

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

d) VCL

Deferred tax asset aggregating Rs.184,143,073/- arising on account of brought forward losses and unabsorbed depreciation has not been recognised, considering the principle of virtual certainty as stated in the Accounting Standard AS-22 - Accounting for taxes on income as the future realization from property development cannot be ascertained at present.

21. Figures less than Rs.500/- have, wherever necessary, been shown at actuals in brackets since all the figures have been rounded off to the nearest thousand.

22. Previous year's figures have been regrouped/recast wherever necessary.

As per our attached report of even date
For DALAL & SHAH
Firm Registration No. 102021W
Chartered Accountants

Niraj Bajaj
Chairman &
Managing Director

Rajesh V Shah
Co-Chairman &
Managing Director

Suketu V Shah
Joint
Managing Director

Ashish Dalal
Partner : Membership No. : 033596
Mumbai : May 26, 2010

K J Mallya
Company Secretary
Mumbai, May 26, 2010

Admission Slip



Registered Office: Mukand Ltd., Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021

Name of the Member			
Shares held in Demat Form		Shares held in Physical Form	
DP ID:		Folio No.	
Client ID:			
No. of Shares		No. of Shares	

I/We hereby record my/our presence at the 72nd Annual General Meeting of the Company at 4 p.m. on Wednesday, the 28th July, 2010 at Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021.

Signature of the Member/Proxy/Representative attending the Meeting

Note: Member/Proxy/Representative must bring the Admission Slip to the Meeting and hand over at the entrance duly signed.

Proxy Form



Registered Office: Mukand Ltd., Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021

Name of the Member			
Shares held in Demat Form		Shares held in Physical Form	
DP ID:		Folio No.	
Client ID:			
No. of Shares		No. of Shares	

I/We.....
of being a Member/Members of
MUKAND LTD. hereby appoint.....
ofor failing him/her.....
.....of.....as my/our
proxy to vote for me/us on my /our behalf at the 72nd Annual General Meeting of the Company to be held on Wednesday, the 28th July, 2010 and at any adjournment thereof.

Signed this.....day of 2010 Signature

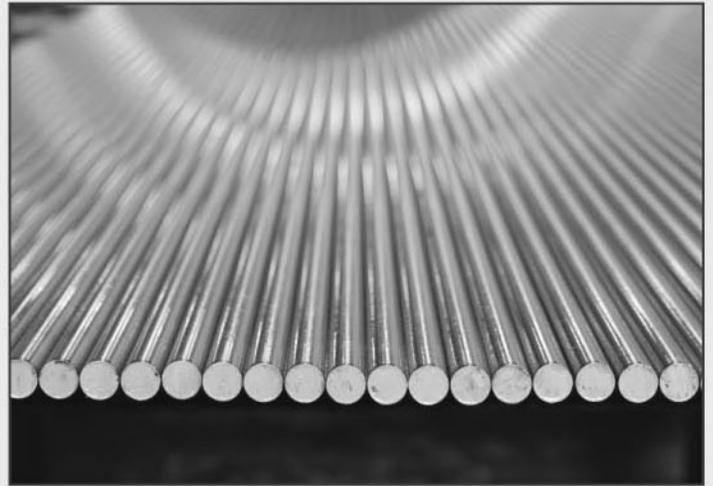
Affix
Re. 1/-
Revenue
stamp

Notes:

1. The Proxy duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
2. Signature should be affixed across the Revenue Stamp as per specimen signature registered with the Company.



Garret Coiler



Bright Bars



Mukand wins “SKF Supplier Excellence Award 2009” for quality

In this picture, Mr. Bo-Inge Stensson – Senior Vice President, Group Demand Chain- SKF, Mr. V M Mashruwala – Chief of Marketing – Mukand Ltd. and Mr. Tom Johnstone – President & CEO – SKF after the award ceremony held at the SKF group headquarters in Sweden.

Mukand is the only supplier of steel to have received this Award.

BOOK-POST



MUKAND LIMITED, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021.
www.mukand.com